Sustainability Vision "Help Shape the Next 300 Years for Our Future Generations and the Planet"

The SoftBank Group's philosophy, Information Revolution—Happiness for everyone, embodies our determination to bring happiness to everyone, even to future generations 300 years from now. To create a world where people can live in harmony with the earth, we will fulfill our responsibility as a leader of the Information Revolution to realize a sustainable society.

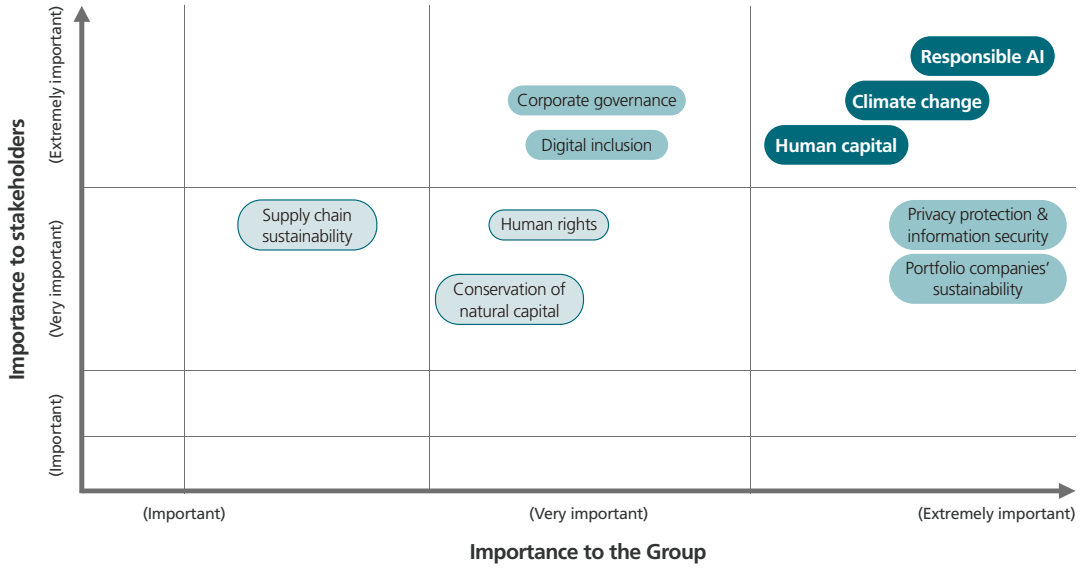
Sustainability principles

SBG has established The SoftBank Group Sustainability Principles as a guideline for the Company's sustainability, so as to achieve sustainable growth by meeting the expectations of shareholders, creditors, customers, business partners, employees, local communities, and all other stakeholders. Based on these principles, we identify material issues relating to sustainability ("Material Issues") reflecting the business characteristics and social demands of each Group company.

Material issues relating to sustainability

Based on our view of double materiality, SBG classifies issues to be addressed from two perspectives: the importance to stakeholders and to the Group. Among these issues, we identify material issues relating to sustainability that should be addressed with priority, determined by the Board of Directors.

The eight material issues that we identified in fiscal 2020 have been updated to ten issues in January 2024, in consideration of social and business environmental changes surrounding the Group. As for the importance to the Group, issues in the major business sectors in which the Group is engaged are analyzed to determine the order of priority.



Our Sustainability

Concept of each Material Issue

Material Issues	Concept
Responsible AI	Stand at the forefront of the Information Revolution, and create new value through the utilization of responsible AI to build a more connected, empowered and joyful world.
Climate change	Challenge issues of global climate change through business activities of a diverse group of companies.
Human capital	Strive for sustainable growth by creating an internal environment in which employees, who are the source of value creation, can challenge themselves and play an active role.
Privacy protection & information security	As a leader of the Information Revolution, sincerely deal with protection of information assets, and lead to realization of a safe and secure digital society.
Portfolio companies' sustainability	As a strategic investment holding company, contribute to the realization of a sustainable society through investment, together with portfolio companies.
Corporate governance	Under the fundamental concept of "free, fair, and innovative," strengthen governance structure ensuring transparency and effectiveness.
Digital inclusion	Promote the Information Revolution, strive to eliminate the digital divide to realize a world in which everyone can benefit from technology.
Human rights	Respect human rights for everyone in all aspects of our business activities, including those who belong to our supply chains.
Conservation of natural capital	As a global citizen, take serious efforts to conserve the global environment.
Supply chain sustainability	Pursue to build sustainable supply chains by cooperating with stakeholders in all business activities.

Identification and review of Material Issues

The following process is performed to identify our Material Issues. In addition, Material Issues are reviewed at least once in two years to reflect changes in social environments, the expectations of stakeholders, and the business operations within each Group company.

STEP 1
Identification of issues

Identify social issues in the social and business environments surrounding the Group's main business sectors by referring to external guidelines and experts' opinions.

Analyze importance from two perspectives based on our view of double materiality: "importance to stakeholders" and "importance to the Group."

Exchange opinions between relevant members inside and outside of the Group, and external experts.

Identify Material Issues through discussion at the Sustainability Committee, and approval of the Board of Directors.

Set the goals / action plans for the Material Issues based on their importance.

Continuously monitor the progress of the goals/action plans.

Review at least once in two years to reflect changes in social environments, the expectations of stakeholders, and the business operations within each Group company.

Goals or action plans

For the Material Issues that should be addressed with priority, we set the following goals / action plans and will continuously monitor their progress.

Responsible AI

We aim for the establishment of an appropriate AI governance structure through discussions to be held in our working group.

For further details on responsible AI initiatives, see page 45.

Climate change

We promote initiatives to achieve our Group target to "Achieve Carbon Neutrality by fiscal 2030."

For further details on our initiatives related to climate change, see page 38.

Human capital

We regard human resources as a source of value creation and important stakeholders for supporting our sustainable growth. Accordingly, we will continuously work on creating an internal environment in which employees can challenge themselves and play an active role while making the most of their individuality and abilities, as well as attracting autonomous and professional human resources and supporting their growth and advancement.

For further details on our initiatives related to human capital, see page 42.

Sustainability governance

Sustainability governance structure

SBG's Board of Directors has appointed the Chief Sustainability Officer (CSusO), who is responsible for the promotion of Group-wide sustainability, and established the Sustainability Committee for the purpose of promotion of the sustainability-related activities of the Group. The Sustainability Committee continuously discusses overall policies such as the sustainability vision and basic policies, policies of individual activities such as sustainability-related issues, goal setting, and information disclosure, as well as sustainability promotion systems and operation policies. The Committee is chaired by the CSusO (head of Investor Relation Department & head of Sustainability Department) and composed of three members including Board Director, Corporate Officer, Senior Vice President, CFO & CISO (head of Finance Unit & head of Administration Unit); Corporate Officer, Senior Vice President (head of Accounting Unit); and Corporate Officer, CLO & GCO (head of Legal Unit). The CSusO reports the details of discussions of the Sustainability Committee to the Board of Directors for supervision.

Sustainability Committee

SBG's Sustainability Committee was established in June 2020 and schedules meetings on a flexible quarterly basis. In addition to the Committee members, the heads of relevant departments attend the meetings to engage in cross-functional discussions based on specialized knowledge and multiple perspectives.

The Committee met three times in fiscal 2023 (April, October, and December). The discussions involved a variety of matters such as reviewing material issues relating to sustainability ("Material Issues"), integrating ESG factors into the investment process, developing an approach to responsible AI, advancing mandated non-financial information disclosure, and responding to climate change.

Committee members

As of March 31, 2024

Chairperson	Yotaro Agari (CSusO, Head of Investor Relations Department & Head of Sustainability Department)
Other members	Yoshimitsu Goto (Board Director, Corporate Officer, Senior Vice President, CFO & CISO, Head of Finance Unit, Head of Administration Unit)
	Kazuko Kimiwada (Corporate Officer, Senior Vice President, Head of Accounting Unit)
	Tim Mackey (Corporate Officer, CLO & GCO, Head of Legal Unit)

Committee activity

Meetings held	Fiscal 2023: 3 (11 since established)	
Main discussion matters in fiscal 2023	•Reviewing Material Issues •Developing an approach to responsible AI •Integrating ESG factors into the investment process •Advancing mandated non-financial information disclosure	•Responding to climate change •Addressing human rights risks •Strengthening sustainability information disclosure •Establishing sustainability-related Group policies

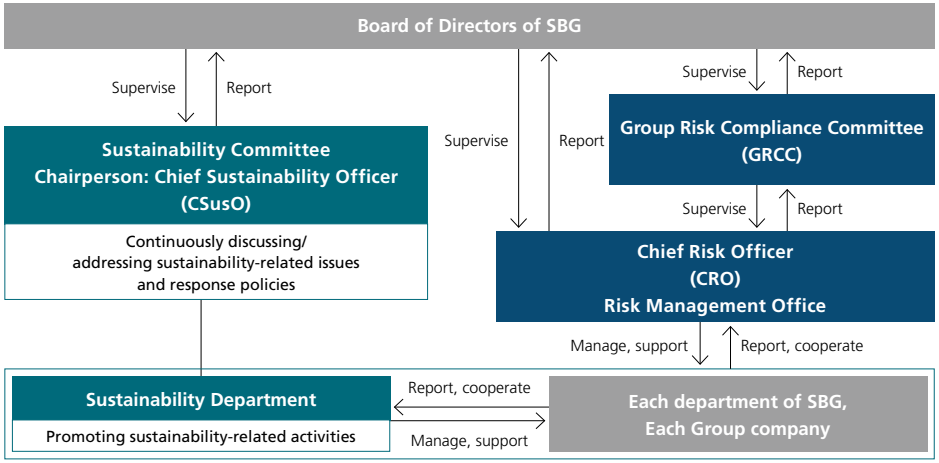
Sustainability risk management

At SBG, the Risk Management Office is responsible for the integrated management of Group-wide risks in accordance with the Risk Management Policy. As for sustainability-related risks, the Sustainability Department under the CSusO collects information through reports from major Group companies and each department of SBG, and identifies risks taking into account discussions in the Sustainability Committee. In addition, the Sustainability Department reports the identified risks, countermeasures, and their status to the Risk Management Office under the framework of the Group-wide risk management process referenced above.

The Risk Management Office analyzes and assesses various risks including sustainability and their countermeasures. For material risks that could have a significant impact on the sustainable growth of the Group, the Risk Management Office collaborates with the parties involved in each risk in order to consider countermeasures and monitor the effectiveness of such countermeasures. Material risks and the status of countermeasures are reported to and discussed by the Board of Directors and the Group Risk and Compliance Committee (GRCC) that consists of the Board Director and the Corporate Officers of SBG. Based on the results of discussions, the Risk Management Office strives to strengthen the Group's risk management system.

See page 62 for our risk management.

Sustainability governance and risk management structure



Yotaro Agari
CSusO,
Head of Investor Relations Department
Head of Sustainability Department

Message from Our Chief Sustainability Officer (CSusO)

When we look at the external business environment, we can see that the AI revolution (a revolution in AI-powered technology) has made rapid strides, but we also find sources of concern that will require greater attention, including geopolitical tensions and climate change. Amid this volatile and complex backdrop, it is imperative that we continue to step up our sustainability efforts. SBG has always remained true to its core philosophy: Information Revolution—Happiness for everyone. This philosophy embodies our commitment to sustainability. We believe that the Information Revolution, as well as driving business growth in the medium- to long-term, will deliver the vision of autonomous driving for safer roads, remote learning for educational equality, and many other visions of a more sustainable world.

When it comes to sustainability, an important step we took during the year under review was to revise our set of strategic material issues in light of changes in both the internal and external business environment. Two issues in particular remain paramount concerns: climate change and human capital. Climate change is an increasingly pressing challenge. SBG has committed to targets for reducing greenhouse gas emissions as part of its climate-related goal:*1 Achieve Carbon Neutrality by fiscal 2030. We have also started quantifying our Scope 3 emissions (which encompasses portfolio companies) with intentions to present a road map for reaching net zero in Scope 3 emissions as soon as possible. As for human capital, it goes without saying that this is of crucial importance to our organization, which invests in AI and other innovative technologies. We are committed to laying down the infrastructure to empower people to take on challenges and excel.

Another top priority is ensuring responsible AI. With the rapid progress in the AI revolution, lively debates have ensued about the hidden risks of AI and what measures are needed to control these risks. As an organization at the forefront of the AI revolution, SBG recognizes the paramount importance of building frameworks for responsible AI—frameworks that will control the risks but also leverage the opportunities of AI to create new value.

Disclosing sustainability information is another priority. We will provide statutory disclosure and present a model that is most appropriate to SBG, an approach that reorganizes our previous disclosures into non-financial information presented in clear, effective language.

Finally, as an investment company, we recognize the need to promote sustainability through our investment activities. Accordingly, we have introduced into our investment process a framework for evaluating sustainability-related risks and opportunities.

*1 Applies to greenhouse gas emissions (Scope 1 and 2) from the business activities of SBG and its major subsidiaries (in principle, "Principal Subsidiaries" in the Annual Securities Report, but there are some exceptions for reasons such as regulations)

External evaluations of sustainability (as of June 30, 2024)

The main external evaluations of the Group's sustainability are shown below.

Inclusion in ESG indexes

	Index name	Company name
Member of Dow Jones Sustainability Indices Powered by the S&P Global CSA	Dow Jones Sustainability World Index (DJSI World)	SoftBank LY Corporation
	Dow Jones Sustainability Asia Pacific Index (DJSI Asia Pacific)	SoftBank LY Corporation
FTSE4Good / FTSE Blossom Japan / FTSE Blossom Japan Sector Relative Index	FTSE4Good Index Series*2 FTSE Blossom Japan Index*3 FTSE Blossom Japan Sector Relative Index*4	SBG SoftBank LY Corporation
2024 CONSTITUENT MSCI JAPAN ESG SELECT LEADERS INDEX	MSCI Japan ESG Select Leaders Index*5	SoftBank LY Corporation
2024 CONSTITUENT MSCI JAPAN EMPOWERING WOMEN INDEX (WIN)	MSCI Japan Empowering Women Index (WIN)*5	SBG SoftBank LY Corporation

Major evaluations and accreditations

Sustainability Yearbook Member

SBG,*6 SoftBank,*7 LY Corporation*8

Selected as a "Sustainability Yearbook Member" by S&P Global in "The Sustainability Yearbook 2024," a listing of companies with outstanding sustainability.

Eruboshi

SBG
SoftBank

Granted "Eruboshi" Level 3 (highest grade) certification as a company promoting women's advancement (2024, Ministry of Health, Labour and Welfare)

CDP

SBG, SoftBank
LY Corporation

Earned a Climate Change Response Score of A- by the CDP (a global environmental NGO). SoftBank Group and SoftBank also earned a Supplier Engagement Rating of A.

Science-Based Targets (SBTs)

SoftBank

The goals detailed in SoftBank's "Carbon Neutral 2030 Declaration" were certified as Science-Based Targets (SBTs) as they are based on scientific evidence.

For further details, see each company's website: SBG SoftBank LY Corporation

*2 FTSE Russell (the trading name of FTSE International Limited and Frank Russell Company) confirms that SoftBank Group Corp., SoftBank Corp., and LY Corporation have been independently assessed according to the FTSE4Good criteria, and have satisfied the requirements to become constituents of the FTSE4Good Index Series. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE4Good indices are used by a wide variety of market participants to create and assess responsible investment funds and other products.

*3 FTSE Russell confirms that SoftBank Group Corp., SoftBank Corp., and LY Corporation have been independently assessed according to the index criteria, and have satisfied the requirements to become constituents of the FTSE Blossom Japan Index. Created by the global index and data provider FTSE Russell, the FTSE Blossom Japan Index is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices. The FTSE Blossom Japan Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

*4 FTSE Russell confirms that SoftBank Group Corp., SoftBank Corp., and LY Corporation have been independently assessed according to the index criteria, and have satisfied the requirements to become constituents of the FTSE Blossom Japan Sector Relative Index. The FTSE Blossom Japan Sector Relative Index is used by a wide variety of market participants to create and assess responsible investment funds and other products.

*5 THE INCLUSION OF SoftBank Group Corp., SoftBank Corp., and LY Corporation IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF SoftBank Group Corp., SoftBank Corp., and LY Corporation BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

*6 SBG was selected as among the top 15% companies in its industry.

*7 SoftBank was awarded a "Top 10% S&P Global CSA Score" in its industry.

*8 LY Corporation was awarded a "Top 10% S&P Global CSA Score" in its industry.

Portfolio companies' sustainability

Considering sustainability standards in investment activities, we support the sustainable development of society at large while also enhancing the performance of our investments over the medium- to long-term. Under this belief, we are undertaking the following initiatives.

Integrating ESG into the investment process

SBG revised its Portfolio Company Governance and Investment Guidelines Policy in May 2021, which originally set forth criteria on the governance of portfolio companies to be considered in the investment process. The revised Policy clearly states that environmental and social risks and opportunities, in addition to governance, are to be assessed in the selection of investees and in post-investment monitoring. The Policy applies to SBG and its subsidiaries.*9 SBG and each investment subsidiary decide and implement their own specific investment plans. SBG will continue to actively integrate ESG into the investment process.

*9 Includes SoftBank Vision Funds and other investment subsidiaries managed by subsidiaries of SBG but excludes listed subsidiaries and subsidiaries that the Group is restricted from controlling for regulatory reasons and their subsidiaries.

Integrating ESG into SoftBank Vision Funds' investments

Described below are ways in which SoftBank Vision Funds integrate ESG into their investments.

Pre-Investment: assessing the risks of potential investments

SoftBank Vision Funds recognize four material themes in environmental and social fields that matter to the international community and to the Company's investment business: responsible AI, climate change, human rights (forced labor), and discrimination/harassment. As part of its due diligence, SoftBank Vision Funds evaluate the potential investment's status in addressing these material themes in environmental and social fields, as well as governance, to assess the risks, and use the results for investment decision-making.

Post-Investment: monitoring and engagement

After investing, SoftBank Vision Funds continually monitor the portfolio companies to prevent risks from materializing. They also engage with the portfolio companies in their efforts to address important tasks. Through such post-investment monitoring and engagement, SoftBank Vision Funds help drive sustainable development and enhance the performance of the portfolio companies over the medium- to long-term.

Investing in businesses that help address environmental and social challenges

SBG believes that investing in companies with innovative technology and business models can help address global challenges such as climate change and economic inequalities, thereby contributing to a more sustainable world. SoftBank Vision Funds and other investment businesses of the Group have already invested in many businesses that contribute to social and environmental sustainability using AI.

Investments that help address environmental and social challenges

Note: These are examples of portfolio companies that help address environmental and social challenges (as of December 2023).

Our Sustainability

Addressing environmental and social challenges through our businesses

As a company that primarily engages in investment, SBG works through its portfolio companies to address environmental and social challenges.

The portfolio companies of SoftBank Vision Funds

Harnesses technology to empower fish and shrimp farmers

eFishery

eFishery is the largest aqua-tech company in Southeast Asia. The company offers affordable software and hardware, improving farmers' economics end-to-end. One major innovation is the eFeeder, which automatically dispenses the appropriate feed in a timely manner improving farming efficiency by reducing manpower and wastage. This enables sustainable farming as it reduces water pollution caused by over feeding, while concurrently improving farmers' yield by ~23%.

Uses AI to detect early-stage cancer

AI Medical Service

AI Medical Service develops AI-powered endoscopes, enhancing early gastric cancer detection and patient survival rates. Its product software was recently approved by regulators (Japan and Singapore). The company represents a commitment to improving public health and healthcare access. Through partnerships with leading medical institutions, the company ensures responsible AI and patient data protection, promoting equitable healthcare. The initiatives embody ESG values, focusing on social well-being and wider healthcare access.

Makes green energy accessible to everyone

Enpal

Enpal provides a subscription-based decentralized solar energy solution for residential consumers in Europe. The company offers customers an all-in-one solar leasing and financing solution including a photovoltaic (PV) solar energy system, energy storage/ batteries, heat pumps, and EV charging. Its mission is to build renewable communities by making green energy accessible and affordable for everyone.

Improves patient outcomes by connecting surgical care

Proximie

Proximie's digital surgery software facilitates live sharing of the Operating Room for a connected surgical care ecosystem. The company enables hospitals, surgeons, and medical device companies to capture data, share information from anywhere in real time, and generate new insights to improve productivity and patient outcomes. Proximie directly contributes to improving healthcare for patients and medical education for the next generation of doctors.

Creates a smarter energy

Swell Energy

Swell Energy is creating a smarter grid through cost-effective, clean, and flexible energy solutions. The company uses its AI-enabled software modules to aggregate energy resources such as battery storage systems to provide Virtual Power Plant services to both utilities and end consumers. Swell helps homeowners and businesses achieve total energy security and independence from rising energy costs through cutting-edge, smart energy technology that leverages a distributed clean energy network.

Helps small-scale farmers maximize their profits and farm more sustainably

Apollo Agriculture

Apollo Agriculture is an agri-fintech platform, empowering small-scale farmers across Africa to increase their profits and farm more sustainably. Apollo uses artificial intelligence and automated operations to unlock the massive, untapped small-scale farming market, enabling farmers to access the optimized financing, high-quality farm products, expert digital advice, and risk management solutions they need to invest and scale their businesses in Kenya and Zambia.

Sustainability: Environment

Initiatives for the Maintenance and Preservation of the Global Environment

Maintenance and preservation of the global environment are our responsibility as global citizens and represent an important foundation supporting the Group's sustainable development and growth. We are working to reduce the negative impact of our business activities on the environment. We are also leveraging the strengths and advanced technologies of each Group company to address climate change and other environmental issues.

Basic policy on environmental initiatives

Environmental Policy

In May 2021, SBG established the Environmental Policy as a set of principles for conducting corporate activities in consideration of the global environment. The Company's activities are in accordance with the Policy, which stipulates, among other guidance, that we comply with environment-related laws and regulations, respond to climate change, reduce environmental impact, conserve resources, and preserve biodiversity.

For the full text of the Policy, see "Environment Initiatives" under "Sustainability" on our website.

Supplier Code of Conduct

SBG sets out our Supplier Code of Conduct, including compliance with environmental laws and regulations, managing and reducing waste, avoiding wasteful use of resources, and consideration of biodiversity, and requires our suppliers to work in accordance with the Code.

For the full text of the Code, see "Social Initiatives" under "Sustainability" on our website.

Climate change

Climate-related information disclosures in accordance with the TCFD recommendations (Summary)

SBG recognizes the impact of climate change on our businesses and discloses its response to climate change in line with the TCFD recommendations.

For the full text of our TCFD disclosures, see "Environment Initiatives" under "Sustainability" on our website.

Governance

SBG's Board of Directors deliberates and makes decisions on overall climate-related actions, including identifying climate-related risks and opportunities, developing countermeasures, and setting the Group's target for greenhouse gas emissions reduction. In addition, the Sustainability Committee, chaired by the CSusO, discusses and examines climate-related actions, reports its findings to the Board of Directors, and is supervised by the Board as required.

For further details on our sustainability governance, see page 34.

Risk management

At SBG, the Risk Management Office is responsible for the integrated management of Group-wide risks in accordance with the Risk Management Policy.

As for sustainability-related risks including climate change, the Sustainability Department under the CSusO collects information through reports from major Group companies and each department of SBG, and identifies risks taking into account discussions in the Sustainability Committee. In addition, the Sustainability Department reports the countermeasures and their status to the Risk Management Office.

For further details on our sustainability risk management, see page 34.

Strategy

SBG identifies, analyzes, and develops actions to manage climate-related risks and opportunities for the Investment Business of Holding Companies and the SoftBank Vision Funds business (the "Company's Investment Business").

Risks and opportunities in the Company's Investment Business and our responses

Summary of risks and opportunities

The following table shows a summary of the anticipated climate-related risks and opportunities for the Company's Investment Business.

	Opportunities	Risks
New investments	▷ Expected returns from new investments in companies that provide climate-related technologies and services (e.g., climate tech)	▷ Reduced investment opportunities due to potential portfolio companies' reluctance to accept the Company's investments if its climate change response is inadequate
Existing investments	▷ Enhanced enterprise value of existing portfolio companies from their adequate response to climate change	▷ Decline in enterprise value of existing portfolio companies due to their inadequate response to climate change
Financing	▷ Expansion of financing opportunities by gaining investors' support for the Company's steady responses to climate change	▷ Decline in financing opportunities due to lower evaluation from investors if the Company's climate change response is inadequate

Sustainability: Environment

Our recognized impact of risks and opportunities

Although it is true that the Company could lose investment and financing opportunities if its response to climate change is deemed grossly inadequate, we are confident that it is possible to avoid those risks by maintaining steady efforts to reduce greenhouse gas emissions. Also, both the transition and physical risks of the Company's existing portfolio companies are expected to be limited as they include many AI companies for which greenhouse gas emissions are relatively low and that have no large-scale production or complex supply chains.

Meanwhile, under our corporate philosophy, Information Revolution—Happiness for everyone, we aim to contribute to the well-being of people through the superstructure of the ecosystem with entrepreneurs who possess new technologies and business models. In a world increasingly beset by natural disasters and other climate risks, we can meet the demand for climate action and fulfill our corporate philosophy by proactively investing in businesses that offer the innovative climate solutions the world needs.

Responses to risks and opportunities

We are addressing the climate-related risks and opportunities through the following measures:

▷ **Investments in climate tech** P.37
Invest in companies that provide climate-related technologies and services

▷ **Responses in the investment process** P.36
Incorporate climate-related risk/opportunity assessments into the investment process

▷ **Portfolio company engagement**
Engage with portfolio companies on climate change, including holding workshops for those companies

▷ **Greenhouse gas emissions reduction**
Reduce greenhouse gas emissions from our business activities, including switching to electricity derived from renewable energy sources

▶ Metrics and targets

Seeking to further reduce greenhouse gas emissions from our business activities, SBG set a Group target to "Achieve Carbon Neutrality by fiscal 2030"*1 in June 2022. To achieve the target, the entire Group is working on switching to electricity derived from renewable energy sources, using energy-efficient measures, and other measures.

To achieve the Group target

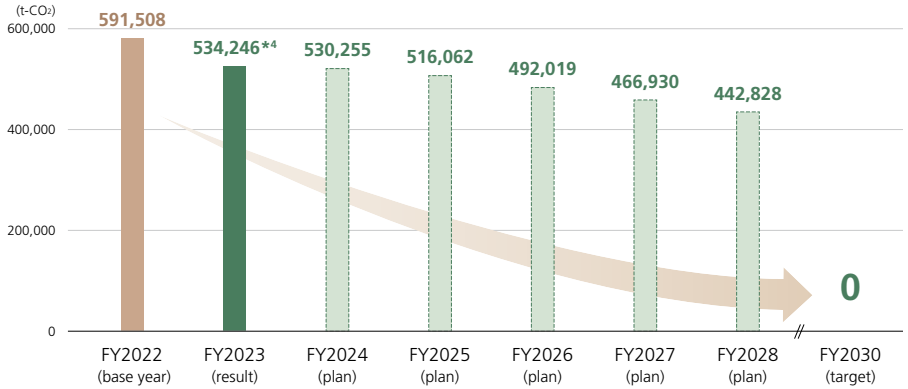
In March 2024, SBG formulated and disclosed a plan for reducing greenhouse gas emissions*1 to achieve the Group target, which is reviewed when required. SBG and its major subsidiaries are undertaking greenhouse gas emissions reduction initiatives in accordance with this plan.

Group target*1 **Achieve Carbon Neutrality by fiscal 2030**

Targets and record of performance at SBG and its major subsidiaries

	Targets	Record of performance
SBG	Achieved Carbon Neutrality from fiscal 2020*2	
SoftBank	Achieve Carbon Neutrality in its group by fiscal 2030*2 Achieve Net Zero in its group by fiscal 2050*3	Converted 81.6% of electricity used at base stations to renewable energy (fiscal 2023)
LY Corporation	Achieve net-zero greenhouse gas emissions in LY Corporation by fiscal 2025*2 Achieve net-zero greenhouse gas emissions in its group by fiscal 2030*2	Converted 62.4% of energy used by its group to renewable energy (fiscal 2023)
Arm	Convert 100% of electricity used by its group to renewable energy by 2023 Achieve Net Zero in its group by 2030*3	100% of electricity used by its group was converted to renewable energy (fiscal 2022)

Greenhouse gas reduction plan to achieve the Group target*1 (As of July 2024)



*1 Applies to greenhouse gas emissions (Scope 1 and 2) from the business activities of SBG and its major subsidiaries (in principle, "Principal Subsidiaries" in the Annual Securities Report, but there are some exceptions for reasons such as regulations)
*2 Applies to greenhouse gas emissions (Scope 1 and 2)
*3 Applies to greenhouse gas emissions (Scope 1, 2, and 3)
*4 Some Group companies are being audited as of the date of publication of this Annual Report.

Sustainability: Environment

Promoting and expanding the use of renewable energy

U.S. solar power project

SB Energy Global Holdings

To promote renewable energy, SB Energy Global Holdings and its subsidiaries operate a power generation business that boasts one of the largest solar power businesses in the U.S. The business has six solar farms,*5 which collectively generate 1,430 MW.*5 SB Energy Global Holdings is currently constructing three additional solar farms in the U.S., which will collectively generate 2,130 MW.*5

*5 Generation capacity in AC, as of March 2024

Providing electricity services that contribute to CO_2 reduction

SB Power

SB Power is an electricity retailer that runs *Shizen Denki*, a service that discharges net-100% renewable energy*6 to households. In fiscal 2023, the service contributed to reducing carbon emissions by 39,000 tons.*7

Households that subscribe to SB Power's *SoftBank Denki* service get free access to the *Eco Denki App*. They can use the app to monitor their past electricity bills and forecast their electricity bill for the month. They can also easily take advantage of the household energy-saving service where they can earn *PayPay Points* based on the amount of electricity they save at specified times. Through this service, SB Power supports users to reduce their electricity usage. In fiscal 2023, the service reduced household energy consumption by 14.12 million kWh, thereby cutting carbon emissions by 7,104 tons. Currently, more than half of *SoftBank Denki* subscribers use this service.*8

*6 By combining electricity supplied to customers with Non-fossil Fuel Energy Certificates that have a renewable energy designation, the service can supply electricity with a net-100% renewable energy ratio and net-zero CO_2 emissions.
*7 This figure is calculated by multiplying the amount of electricity used by *Shizen Denki* customers by the national average CO_2 emission factor and adding the amount of J-credits retired through support for forest conservation organizations.
*8 As of the end of April 2024

Eco Denki App screenshots

Renewable energy investments in Africa, the Middle East, and Asia

AMEA Power

AMEA Power is an SBG portfolio company that develops and operates renewable energy projects in Africa, the Middle East, and Asia. Its projects contribute to the decarbonization of these regions and driving socioeconomic development. Founded in 2016, AMEA Power is one of the fastest growing renewable energy companies in these regions. AMEA Power has more than 1,600 MW of clean energy projects in operation and under/near construction.*9 In addition, AMEA Power has a clean energy pipeline of more than 6 GW across 20 countries.*9 AMEA Power is also developing green hydrogen projects in Africa, leveraging its expertise in the development of renewable energy projects. In November 2022, AMEA Power signed a Framework Agreement with the Egyptian government to develop a 1-GW green hydrogen project. Through its activities and project development, AMEA Power is actively supporting the clean energy transition of the countries.

*9 As of December 2023

Developing energy-efficient technology

Semiconductor architecture that improves energy efficiency

Arm

With accelerated growth in shipments of Arm-based chips, Arm architecture is found in an ever-greater range of applications, from smartphones and home appliances to vehicles and servers. Arm recognizes its responsibility to develop energy-efficient designs and believes that it could be one of the solutions for helping to cut global energy consumption. Arm has developed numerous technologies that combine exceptional processing with energy efficiency. One example is *Arm Ethos-U55*, which provides up to 90% energy reduction for machine learning workloads on IoT devices compared to its predecessor. Another is *Arm Cortex-A715*, which delivers 20% power efficiency improvements to consumer markets compared to its predecessor.

Sustainability: Environment

Promoting decarbonization through initiatives

Participation in the One Planet Sovereign Wealth Fund (OPSWF) Network

SBG, SBIA

SBG and SBIA participate in the One Planet Sovereign Wealth Fund (OPSWF) Network, which was established as a Working Group in July 2018. That same year, the OPSWF's founding members developed the OPSWF Framework to advance the integration of climate change risks and opportunities into large and diversified asset pools. The Abu Dhabi Investment Authority, the Kuwait Investment Authority, the New Zealand Superannuation Fund, the Public Investment Fund and the Qatar Investment Authority currently lead the OPSWF's Steering Group. In July 2019, the One Planet Asset Manager (OPAM) Initiative was launched to allow for asset managers to support the OPSWF Framework. Similarly, in July 2020, the One Planet Private Equity Funds (OPPEF) Initiative was founded by Ardian, The Carlyle Group, Global Infrastructure Partners, Macquarie Asset Management, and SBIA.

SBIA and the OPPEF Group, now comprising 11 members, actively engage in the OPSWF's programs and discussions, including the CEO Summits and Peer Exchanges.

Establishment and operation of the Renewable Energy Council and the GDC Renewable Energy Council

SBG

Together with local governments, SBG established the Renewable Energy Council and the Government-Designated Cities Renewable Energy Council in 2011. Led by 34 prefectures throughout Japan and the local governments of 20 designated cities, the two Councils share information to promote and expand the use of renewable energy and make policy recommendations to the Japanese government. As their secretariat, SBG works with affiliated local governments to drive the net-zero transition in Japan.

To learn more about the Renewable Energy Council, visit the Council's website (Japanese language only).

To learn more about the Government-Designated Cities Renewable Energy Council, visit the Council's website (Japanese language only).

Conserving natural capital

Conserving natural capital is an increasingly urgent task. The Group therefore makes sustained efforts to reduce water consumption and other environmental impacts in accordance with its Environmental Policy.

Addressing water challenges

Water treatment technologies that safeguard water infrastructure in times of disaster

SoftBank

In May 2021, SoftBank entered a capital and business tie-up with WOTA, which owns proprietary technology for autonomous water treatment. The purpose of this partnership is to develop a decentralized system of water circulation, one that is independent of water infrastructure. This system will enable water reuse and serve as sustainable water infrastructure. It will also safeguard water access in evacuation centers during a disaster, contributing to a more sanitary environment.

WOTA has developed the WOTA BOX, a portable system for water reuse. Capable of reclaiming 98% of wastewater for reuse, the WOTA BOX provides a source of water in areas with no water supply. It can also be combined with WOTA's other expansion units such as tents to provide up to a hundred showers with just 100 liters of water, which is typically only enough for two showers. The system is simple and quick to set up as long as you can connect it to a power supply. As such, it can serve as a shower unit in evacuation centers when the water supply is cut off due to a disaster.

Promotion of a circular economy

E-commerce services that contribute to a circular economy

LY Corporation

Yahoo! Auctions

Since 1999, *Yahoo! Auctions* has provided one of Japan's largest online auction and flea market services. It has played a part in building a circular economy by providing a way for users to sell the things they no longer need to people who do need them.

Yahoo! Flea Market

Yahoo! Flea Market is a dedicated online flea market app, which provides a simple way for users to trade goods for a fixed price. We believe that this app, together with *Yahoo! Auctions*, can lead to further growth of a sustainable secondhand market.

Sustainability: Social

How We Serve People and Society as a Leader of the Information Revolution

We strive to create a diverse, inclusive workforce and a positive, respectful workplace.
As a leader of the Information Revolution, we channel the various strengths of our Group companies into addressing the social challenges of this age of information and globalization.

Initiatives related to human capital

The Group regards human resources as a source of value creation and important stakeholders for supporting its sustainable growth. Accordingly, we believe that creating an internal environment in which employees can challenge themselves and play an active role while making the most of their individuality and abilities will increase corporate value.

Human resource strategy

SBG's human resource strategy is to attract autonomous and professional human resources and support their growth and advancement, and we are making ongoing efforts to achieve these goals. For specific initiatives, see "Diverse human capital management" and thereafter.

The human resource strategies of subsidiaries and Group companies are determined by each company, based on the *Cluster of No. 1 Strategy* of growing together in a symbiotic ecosystem where decisions made by each company are respected.

Diverse human capital management

Professional recruitment emphasizing core competencies

SBG hires professionals based on three core competencies: professionalism, smart, and relation. We work to attract excellent and diverse human resources under a basic policy of assigning the most suitable person to each position, regardless of age, gender, nationality, or disability.

Three core competencies we seek in our employees

Professionalism
High level of expertise in a relevant field

×

Smart
Capacity to think logically and tackle unprecedented challenges using numbers and reasoning

×

Relation
Communication skills required to engage in business with leading companies in the world

Diversity and inclusion

SBG is committed to assignments that allow employees, who are the driving force behind corporate growth, to make the most of their individuality and abilities. We promote the hiring of human resources and appointment of managers regardless of age, gender, nationality, or disability, thereby creating a workplace rich in diversity where everyone can play an active role.

As of March 31, 2024, 46.2% of all employees and 25.0% of managers were women. Each of them is engaged in their profession by making the best use of their advanced expertise. We will continue promoting the advancement of women. In March 2024, we earned "Eruboshi" Level 3 (highest grade) certification under the Act on the Promotion of Women's Participation and Advancement in the Workplace.

Human resources data by gender

As of March 31, 2024

	Men	Women
Ratio of employees	53.8%	46.2%
Average age (years)	42.7	40.1
Average length of employment (years)	10.4	10.3
Ratio of managers	75.0%	25.0%

As of March 31, 2024, 2.8% of our employees were people with disabilities, compared to the legally mandated ratio of 2.3%. We are continuing our hiring activities with the aim of further improving the ratio of employees with disabilities.

Evaluation and compensation

SBG respects employees who actively take on challenges. To properly reward employees for their achievements, we conduct personnel evaluations and reflect the results of those evaluations in employees' salaries and bonuses under the principle of reward and punishment.

We also encourage employees to work with a sense of ownership. Accordingly, our human resource policy emphasizes contribution to enhancement of corporate value and includes providing stock-based compensation based on personnel evaluations.

In fiscal 2023, the indexed compensation levels for regular employees by gender were as follows. Women in managerial positions received approximately 68% of the compensation that their male counterparts received. Women in non-managerial positions received approximately 85%, and overall, women received approximately 52% of the compensation that men received.

Human resource development for autonomous and continuous growth

Career development

SBG emphasizes the importance of self-driven career development. By providing

opportunities for individual awareness through ongoing one-on-one meetings with line managers and multifaceted 360-degree feedback from peers, we encourage employees to grow through self-review and self-reflection.

Education and training

SBG provides an environment allowing individual employees to voluntarily acquire the knowledge and skills necessary for their work. For example, we offer training programs, such as English conversation classes, that can be taken freely at any time, and SoftBank University, which operates within the Group. We have also allocated a talent development budget to each department so employees can take external training courses.

We also provide support for the advancement of professional personnel, such as lawyers, patent attorneys, Certified Public Accountants, and certified tax accountants, by covering expenses related to the registration and maintenance of various professional qualifications required for job execution. In fiscal 2023, we provided such support to approximately 12% of our employees.

SoftBank University — 自ら手を挙げた人が学び合う — 実践的プログラム

Group human resource development system

The Group offers a wide variety of opportunities for employees to play an active role within our organization. These include the Free Agent System, which allows employees to voluntarily arrange personnel transfers; SoftBank Academia, designed to discover and develop the next generation of Group management talent; and SoftBank InnoVenture, a program to train internal entrepreneurs to create a strategic assembly of synergistic group companies.

Dual employment

SBG also allows employees to engage in dual employment (side jobs) as an opportunity for personal growth through diverse experiences.

Work-style reform

Improving workplace environments

SBG respects and supports the efforts of employees to find a good work-life balance. Therefore, we introduced a "super-flex time system" with no core hours and allow working from home to provide environments where employees can work regardless of time and place. This allows employees to choose their optimal work styles and maximize their individual performances.

Childcare support

It is extremely important to provide working parents with opportunities to be involved in their children's development, and we believe proactive efforts must be made to foster the development of society. Among SBG's male regular employees whose spouses gave birth, around 117% took leave of absence for childcare in fiscal 2023, which is consistent with the percentage of female regular employees who took leave of absence for childcare.

Our efforts to support employees' work-life balance have achieved some success, and we aim to make further improvements in childcare support. To this end, we are taking measures to alleviate income-related concerns, such as subsidizing childcare and other expenses through Children and Families Agency (previously Cabinet Office) babysitter coupons and letting employees accumulate and carry over unused annual leave for pre-natal and post-natal leave, leave of absence for childcare, and leave of absence for childcare at birth. To help employees who have taken such leave to return to work as soon as possible, we have implemented shared use of company-led nursery schools. Alongside this, we provide opportunities for employees with childcare commitments to engage and interact with one another.

Well-being

As a pure holding company, SBG takes various initiatives to manage, maintain, and promote the health of its employees, who represent its greatest asset. In addition to regular medical examinations, in fiscal 2023 we introduced a system that allows employees to undergo optional medical examinations tailored to age group at the Company's expense. About 38% of employees have used the system.

Meanwhile, we continue encouraging employees to take annual leave. In fiscal 2023, the annual leave utilization rate was approximately 64% (14.6 days). For fiscal 2024 and beyond, we will set targets for a higher utilization rate in our "general employer action plan." In April 2024, we started providing leave for women's health conditions and leave for infertility treatment or menopausal conditions regardless of gender.

Employee engagement

The Group conducts an annual satisfaction survey of all employees, and 32 domestic Group companies, including SBG, participated in the survey in fiscal 2023. This survey was developed to reflect the characteristics of the Group. Accordingly, responses regarding satisfaction with the organization (job, workplace, and supervisor) and the company each respondent belongs to are scored by item to identify issues at an early stage. Continuous monitoring of these results helps us build a strong organization and increase employee motivation.

A total of 86% of SBG employees responded to the survey in fiscal 2023 and indicated a continued high level of satisfaction. We will continue actively working to improve employee engagement to realize more comfortable work environments.

Respect for human rights

SBG has established the Human Rights Policy and has programs in place to instill human rights awareness throughout our organization, from officers to employees. Our HR, compliance, risk management, and sustainability teams, along with other specialized teams, manage human rights risks relevant to the Group.

See the full article of the Policy in "Social Initiatives" on our website.

Addressing social issues

SBG has established the sustainability vision: Help shape the next 300 years for our future generations and the planet. Under this vision, SBG and its Group companies engage in social-impact initiatives, drawing on the Group's strengths.

Digital inclusion

Guided by our corporate philosophy, Information Revolution—Happiness for everyone, we are committed to leading an Information Revolution that benefits all humankind. Technological progress has benefitted many people, but the benefits are unevenly distributed and a digital divide has emerged. We have identified digital inclusion as one of our material issues and will contribute to the realization of a world where everyone can enjoy the benefits of the Information Revolution.

Group companies' initiatives

The Company's efforts to close the digital divide target the causal problems, including lack of access to the Internet and other information sources and lack of knowledge about information technology. To address these problems, the Company has provided ICT-powered educational opportunities, smartphone classes for elderly people and other groups, and educational programs for children designed to foster digital literacy and ethical digital citizenship.

Closing the digital divide — Arm

Arm's commitment to Closing the Digital Divide involves working with private and public sector partners on social impact initiatives that leverage technology to address inequalities and provide technology access to underserved populations. One example of this is its partnership with the UNHCR, the UN Refugee Agency. Arm is providing technical and capacity-building support to the UNHCR's Innovation Service, which works to ensure the agency's humanitarian response is fit for the future and covers a range of areas, including data, digital inclusion, refugee-led innovation, and environmental resilience. Additionally, Arm Education aims to help close education and skills gaps in computer engineering and STEM. As part of the initiative, Arm provides teaching and learning resources, IP tools, and other support to universities, and works closely with academic and industry partners on research collaborations. Since 2013, Arm has supported and collaborated with over 2,500 universities worldwide and enabled more than 10,000 Arm-based classes.

For further details on Arm Education, see Arm's corporate website.

Smartphone classes for elderly people — SoftBank

At SoftBank shops, SoftBank-certified expert *Smartphone Advisors*®*1 help customers find the best price plan and device, handle the initial setup for the device, and provide repair services. In SoftBank's smartphone classes, which are open to all, *Smartphone Advisors* give attendees an easy-to-follow tutorial on how convenient and fun smartphones can be. SoftBank has also partnered with Tokyo's Minato Ward to offer elderly residents free smartphone rentals and classes on how to use them. Since 2022, SoftBank, in partnership with MONET Technologies, has worked with local governments to run the *Smartphone All-Around Support Vehicle*, a van equipped to provide mobile smartphone classes. The vehicle is equipped with monitors and tablets through which attendees can communicate with *Smartphone Advisors*. With this equipment, the initiative reaches remote rural communities and other areas with poor access to public transport.

*1 Support specialist store staff certified by SoftBank who conduct smartphone classes and provide guidance on using smartphones. Smartphone Advisor® is a registered trademark of SoftBank.

Equipping the next generation with digital literacy — LY Corporation

To prepare the next generation for the world of tomorrow, it is essential to provide children with digital literacy education and safe access to the Internet. With communication tools becoming increasingly diverse, children are increasingly exposed to online dangers. Against this backdrop, LY Corporation offers education for ethical digital citizenship so that people can enjoy safe and secure online communication. Responding to requests from schools and local governments in Japan, official instructors from the LINE MIRAI Foundation visit schools to deliver free online classes. The official instructors teach children about the nature of online communication, the risks to be aware of, and the information literacy necessary for participation in the information society. They also give parents tips on how to protect their children from online dangers and offer teachers insights about children's online behavior and how to foster ethical digital citizenship. LY Corporation also provides schools with a free textbook, *GIGA Workbook*, covering topics such as ethical digital citizenship and information literacy. *GIGA Workbook* has been introduced as an official textbook by many local governments in Japan.

Responsible AI

The Group's mission is to stay at the forefront of the Information Revolution and ensure that the revolution builds a more connected empowered, and joyful world. At the core of the Information Revolution today lies AI. Aspiring to become a world leader in the use of AI, we are committed to promoting responsible AI so that AI benefits everyone.

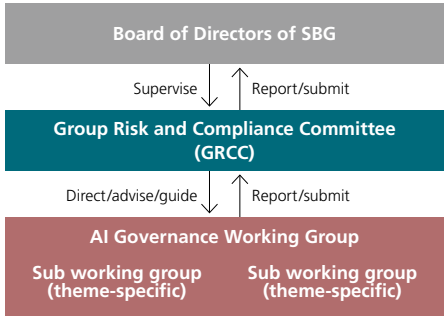
Establishing AI governance

SBG's approach to AI governance

SBG has identified "Responsible AI" as the most important material issue relating to sustainability that should be addressed with priority and is aiming to establish an appropriate group AI governance structure. As part of this effort, we have established the AI Governance Working Group under the Group Risk and Compliance Committee (GRCC) to discuss an approach to AI governance. Chaired by the CSusO and with a membership that includes representatives from related divisions (e.g., CEO Office, Legal, Information System) and from major Group companies (e.g., Arm, SoftBank, LY Corporation, SBIA), the working group convenes regularly to share information about best practices and discuss an AI governance model for SBG to adopt. We will continue efforts to build a governance structure that balances proactive and secure approaches to manage the breakneck advancements in AI.

For further details on our material issues, see page 32.

AI Governance Working Group structure



Proactive and secure use of AI

Aspiring to become a world leader in the use of AI, we focus on both proactive and secure aspects in our approach to AI governance. We established guidelines on generative AI in April 2023, and in April 2024 we added Action Statements on responsible AI to the SoftBank Group Code of Conduct, that apply to officers and employees of the Company to promote the active but responsible use of AI. One way in which we have promoted the active use of AI across the Group is to organize a contest in which employees pitch ideas for using ChatGPT and other generative AI technologies.

ChatGPT usage contest awards ceremony

Group companies' initiatives

Objective and effective AI governance — SoftBank

SoftBank has a dedicated team leading efforts to build an effective system of AI governance to ensure that the company's AI-driven services are safe and secure for customers to use. For example, in July 2022, the company established the SoftBank AI Ethics Policy.*2 To ensure the effectiveness of the governance structure, the company has also set specific rules and checklists for AI-related planning, application, development, and outsourcing. SoftBank also takes active steps to raise awareness of AI governance in the workplace. It provides a basic training course for all employees along with practical training for employees involved in AI-related planning, development, and application. Employees can also access information about AI governance initiatives on the company's web portal. During March 2024, which was the company's "AI governance strengthening month," the company issued an e-mail newsletter with information about AI governance and organized a lecture delivered by an external expert. In April 2024, the company established the AI Ethics Committee, a panel that outside experts join, which discusses and advises the company on matters related to AI ethics. SoftBank will remain committed to delivering objective and effective AI governance, incorporating the advice of the AI Ethics Committee and user feedback.

*2 As of April 2024, the policy applies to 72 group companies of SoftBank.

Initiatives to encourage use of generative AI — LY Corporation

LY Corporation's precursor, Z Holdings, established an expert panel on AI ethics, and this panel continues to function in LY Corporation. In 2022, the Basic Policy on AI Ethics was established to declare its approach to AI governance. When the company launched an internal chat-based generative AI tool in July 2023, employees were briefed on the proper use of generative AI and access was granted upon passing an e-learning test. LY Corporation has also focused on training. As well as providing regular training to its engineers, it provides training courses to all employees, including training on AI governance and training on effective prompt engineering.*3 To help foster AI literacy among children, the company has published an educational manga about AI on its web portal *Yahoo! JAPAN Kids*. In February 2024, the company held a press briefing about its internal and public generative AI applications to generate media attention for these initiatives.

Educational manga about AI on *Yahoo! JAPAN Kids*

*3 Process of designing a prompt (a question or instruction) that can be acted upon by an AI model.

Sustainability: Governance

Effective Governance—the Key to Realizing Our Vision

See "Corporate Governance" on our website for the latest information.

The following information is based on the Corporate Governance Report filed with the Tokyo Stock Exchange on June 26, 2024.

Basic views

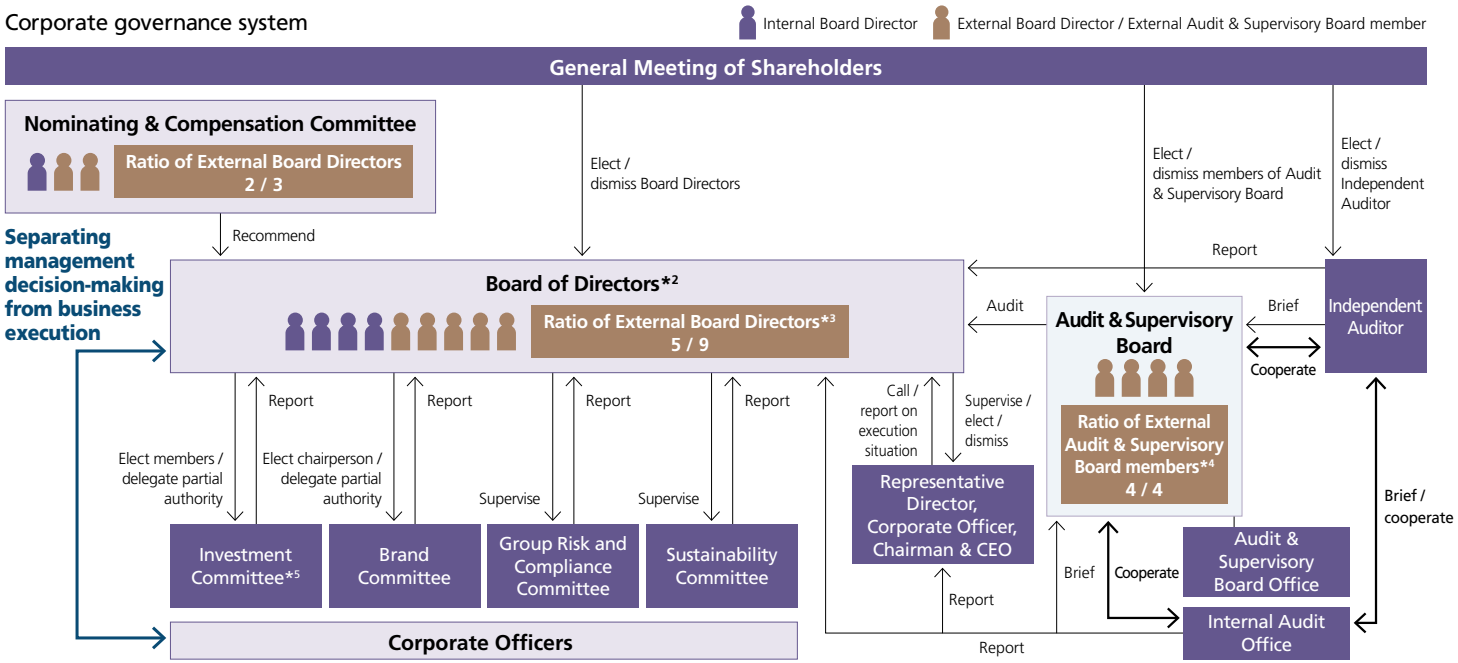
The Company is guided by a fundamental concept of "free, fair, and innovative" and a corporate philosophy of Information Revolution—Happiness for everyone. We aim to be a provider of essential technologies and services to people around the world while maximizing our enterprise value. SBG recognizes that it is vital to maintain effective corporate governance to realize this vision. We continue to strengthen governance by establishing a charter and regulations: the SoftBank Group Charter to share the Group's fundamental concept and corporate philosophy, the Group Company Management Regulations of the SoftBank Group to set forth the management policy and framework for Group companies, and the SoftBank Group Code of Conduct to be followed by the Company and its Board Directors and employees.

SBG's path to strengthening governance

- 1994 Registered as an OTC stock with the Japan Securities Dealers Association
- 1995 Appointed the first foreign national Board Director
- 1998 Listed on the First Section of the Tokyo Stock Exchange
- 1999 Invited a Board Director from outside the company (equivalent to a current External Board Director); transitioned to a pure holding company
- 2002 External board directors system introduced in the Commercial Code (currently the Companies Act) of Japan
- Started livestreaming of earnings results briefings
- 2003 Started livestreaming of the Annual General Meeting of Shareholders
- 2006 Companies Act of Japan enacted
- 2012 Introduced a Corporate Officer system
- 2015 Japan's Corporate Governance Code entered into force
- 2019 Established the Group Risk and Compliance Committee
- 2020 Formulated the Portfolio Company Governance and Investment Guidelines Policy; increased the number of External Board Directors; appointed the first female Board Director; established the Nominating & Compensation Committee and the Sustainability Committee; appointed a CSusO and CRO*1; revised the Board of Directors structure (separation of the management decision-making function from the business execution function)
- 2021 Added environmental and social items to the above policy; achieved a 55.6% external ratio of Board Directors and a 100% external ratio of Audit & Supervisory Board members
- 2022 Transitioned from the First Section of the Tokyo Stock Exchange (TSE) to the Prime Market of the TSE

*1 Chief Risk Officer

Corporate governance system



*2 Special Directors are put in place in accordance with Paragraph 1, Article 373 of the Companies Act.
*3 Of the five External Board Directors, four are designated as Independent Officers.
*4 Of the four External Audit & Supervisory Board members, three are designated as Independent Officers.
*5 Supervisory Committee is separately put in place to supervise matters such as investments and loans of certain subsidiaries.

Sustainability: Governance

Approach to and policy concerning group management

Based on its unique organizational strategy, the *Cluster of No. 1 Strategy*, SBG is working to build a corporate group that operates a diverse range of businesses in the information and technology sectors and increase its Net Asset Value (NAV). This is enabled by direct investments (including investments made through its subsidiaries) such as in SoftBank, Arm, and other Group companies, as well as investments in investment funds such as SVF1, SVF2, and LatAm Funds. In this process, each investee company will seek self-sustained growth. At the same time, SBG, as a strategic investment holding company, will help each investee company improve its corporate value by utilizing the Group's network of companies while promoting collaboration among investee companies.

Furthermore, the Company will confirm, or make reasonable efforts to ensure, that each investee company is operating under environmental, social, and corporate governance standards that are substantially equivalent to those set forth in the Policy on Governance and Investment Guidelines for Portfolio Companies of SBG.

Board of Directors

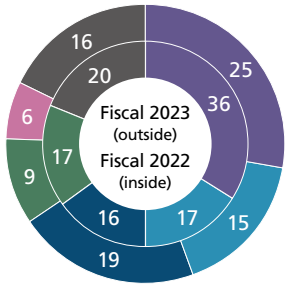
SBG's Board of Directors consists of members with a wealth of knowledge and experience in business management and a global perspective, in consideration of their nationality, ethnicity, gender, or age. The maximum number of Board Directors is set at 11 under the Articles of Incorporation. As of June 21, 2024, the Board of Directors consisted of nine members (five of whom are External Board Directors) and included two foreign nationals and one female.

Agenda items for discussion at the Board of Directors meetings are set forth in the Board of Directors Regulations. The Board discusses statutory matters, as well as critical matters related to business management, such as investments, loans, and borrowings that exceed a certain amount. In addition, Special Directors are put in place in accordance with Paragraph 1, Article 373 of the Companies Act, and matters related to disposal and acceptance of important assets and borrowing in a significant amount are resolved by the Board of Special Directors meeting for the purpose of prompt decision-making.

Status of Board of Directors

SBG's Board of Directors had a total of nine meetings in fiscal 2022 and seven meetings in fiscal 2023 (both totals exclude meetings conducted by written resolution). During these meetings, the members mainly discussed the following topics.

Number of Board resolutions / reports



Category	Key topics
Governance	Compensation of Board Director candidates and Board Directors, reports from each committee, evaluation of the effectiveness of the Board of Directors, opinions and reports from the Audit & Supervisory Board Members Audit Report
Internal management (including the management of subsidiaries)	Compliance (oversight over conflict-of-interest transactions, fiscal year compliance reports), risk management, internal control and internal audits, approval of transactions by subsidiaries, etc.
Business reports	Reporting on the status of the portfolio and the status of individual business segments
Finance	Fund procurement, shareholder returns
Investment	Consideration of investment projects (e.g., Arm's IPO)
Others	General Meeting of Shareholders, information disclosure, sustainability

Summary of results of Board of Directors evaluation

From December 2023 to April 2024, SBG evaluated the overall effectiveness of its Board of Directors in the following manner.

Subjects	The Representative Director, Corporate Officer, Chairman & CEO, all Board Directors, and all Audit & Supervisory Board members
Evaluation method	Questionnaire surveys and interviews were conducted with the target officers by a third-party institution evaluator about topics that included the composition and operation of the Board and its support systems.
Evaluation results	According to the officers, board effectiveness is underpinned by a positive board culture. This culture includes the trust and the check-and-balance relationship between Representative Director, Corporate Officer, Chairman & CEO, and the Board of Directors. It also includes active discussions held by the diverse board. The officers underscored the importance of preserving this board culture. As for priority issues going forward, it was confirmed that the Board of Directors should contribute to bringing the vision, Information Revolution–Happiness for everyone to life by deepening the insight of the Board on the AGI revolution and conducting repeated discussions on building an ecosystem surrounding Arm.

Sustainability: Governance

Skill Matrix of Board Directors and Audit & Supervisory Board members

SBG believes it is important for the Board Directors and Audit & Supervisory Board members to have a wide range of viewpoints and experience, as well as a high level of expertise, to ensure diversity and active discussions and decision-making of the Board of Directors. As of June 21, 2024, the Skill Matrix (skill set expected by SBG) of the Board Directors and Audit & Supervisory Board members was as follows.

		Areas of expertise particularly expected by SBG (up to three areas)					
	Name	Corporate management	Banking / M&A	Finance / Accounting	Law / Governance	Technology	Academic background
Board Director	Masayoshi Son	✓	✓			✓	
	Yoshimitsu Goto	✓	✓	✓			
	Ken Miyauchi	✓	✓			✓	
	Rene Haas	✓	✓			✓	
	Masami Iijima	✓	✓		✓		
	Yutaka Matsuo		✓			✓	✓
	Keiko Erikawa	✓	✓			✓	
	Kenneth A. Siegel		✓		✓		✓
	David Chao	✓	✓			✓	
Audit & Supervisory Board member	Maurice Atsushi Toyama		✓	✓			
	Yuji Nakata		✓		✓		
	Soichiro Uno		✓		✓		
	Keiichi Otsuka		✓	✓			

Board Directors

As of June 21, 2024 (numbers of shares owned are as of March 31, 2024)

Nominating & Compensation Committee member

Representative Director, Corporate Officer, Chairman & CEO

Masayoshi Son

Years in office: 42 years 9 months

Number of shares owned in SBG: 426,661 thousand shares

Sep 1981 Founded SOFTBANK Corp. Japan (currently SoftBank Group Corp.), Chairman & CEO
Jan 1996 President & CEO, Yahoo Japan Corporation (currently LY Corporation)
Oct 2005 Director, Alibaba.com Corporation (currently Alibaba Group Holding Limited)
Apr 2006 Chairman of the Board, President & CEO, Vodafone K.K. (currently SoftBank Corp.)
Jun 2015 Director, Yahoo Japan Corporation (currently LY Corporation)
Sep 2016 Chairman and Executive Director, ARM Holdings plc
Jun 2017 Chairman & CEO, SoftBank Group Corp.
Nov 2020 Representative Director, Corporate Officer, Chairman & CEO, SoftBank Group Corp. (to present)
Apr 2021 Board Director, Founder, SoftBank Corp. (to present)
Aug 2023 Chairman and Director, Arm Holdings plc (to present)

Board Director, Corporate Officer, Senior Vice President, CFO & CISO

Yoshimitsu Goto

Years in office: 4 years*6

Number of shares owned in SBG: 379 thousand shares

Apr 1987 Joined The Yasuda Trust and Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)
Jun 2000 Joined SoftBank Corp. (currently SoftBank Group Corp.)
Oct 2000 Head of Finance Department, SoftBank Corp. (currently SoftBank Group Corp.)
Apr 2006 Director, Vodafone K.K. (currently SoftBank Corp.)
Jul 2012 Corporate Officer, Senior Vice President, SoftBank Corp. (currently SoftBank Group Corp.)
Oct 2013 President & CEO and acting owner, Fukuoka SoftBank HAWKS Corp. (to present)
Jun 2014 Board Director, SoftBank Corp. (currently SoftBank Group Corp.)
Jun 2015 Corporate Officer, Senior Vice President, SoftBank Corp. (currently SoftBank Group Corp.)
Jun 2017 Corporate Officer, Senior Vice President, SoftBank Group Corp.
Apr 2018 Corporate Officer, Senior Vice President & CFO & CISO, SoftBank Group Corp.
Jun 2020 Board Director, Senior Vice President, CFO, CISO & CSusO, SoftBank Group Corp.
Nov 2020 Board Director, Corporate Officer, Senior Vice President, CFO, CISO & CSusO, SoftBank Group Corp.
Jun 2022 Board Director, Corporate Officer, Senior Vice President, CFO & CISO, SoftBank Group Corp. (to present)

*CISO: Chief Information Security Officer *CSusO: Chief Sustainability Officer

Board Director

Ken Miyauchi

Years in office: 36 years 4 months

Number of shares owned in SBG: 574 thousand shares

Feb 1977 Joined Japan Management Association
Oct 1984 Joined SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
Feb 1988 Board Director, SOFTBANK Corp. Japan (currently SoftBank Group Corp.)
Apr 2006 Executive Vice President, Director & COO, Vodafone K.K. (currently SoftBank Corp.)
Jun 2007 Representative Director & COO, SoftBank Mobile Corp. (currently SoftBank Corp.)
Jun 2012 Director, Yahoo Japan Corporation (currently LY Corporation)
Jun 2013 Representative Board Director, Senior Executive Vice President, SoftBank Corp. (currently SoftBank Group Corp.)
Apr 2015 President & CEO, SoftBank Mobile Corp. (currently SoftBank Corp.)
Apr 2018 Board Director, SoftBank Group Corp. (to present)
Jun 2018 President & CEO, SoftBank Corp.
Apr 2021 Representative Director & Chairman, SoftBank Corp.
Apr 2023 Director & Chairman, SoftBank Corp.
Apr 2024 Director & Special Advisor, SoftBank Corp.
Jun 2024 Special Advisor, SoftBank Corp. (to present)

Board Director

Rene Haas

Years in office: 1 year

Number of shares owned in SBG: -

Jan 1999 Vice President of Sales, Tensilica
Aug 2004 Vice President of Sales and Marketing, Scintera Networks
Oct 2006 Vice President & General Manager, Computing Products Business Unit, NVIDIA Corporation
Oct 2013 Vice President of Strategic Alliances, ARM Holdings plc
Jan 2015 Executive Vice President & Chief Commercial Officer, ARM Holdings plc
Jan 2017 President of Arm's IP Product Groups (IPG), ARM Holdings plc
Feb 2022 CEO, Arm Limited (to present)
Jun 2023 Board Director, SoftBank Group Corp. (to present)
Aug 2023 Director, Arm Holdings plc (to present)

Note: "Years in office" refers to the number of years until the conclusion of the General Meeting of Shareholders on June 21, 2024.
*6 Mr. Yoshimitsu Goto has been a Board Director for four years since June 2020 but has served as Board Director for a total of five years, including one year as Board Director from June 2014.

Independence standards and qualifications for External Board Directors

SBG elects Independent External Board Directors in accordance with the independence criteria set by the Tokyo Stock Exchange. The Board of Directors elects Independent External Board Director candidates who can contribute to increasing enterprise value through their qualifications, ability, and deep knowledge in their fields of expertise. SBG also elects candidates for their ability to participate actively in constructive discussions and express their opinions frankly. SBG ensures adequate independence of each of the External Board Directors, who bring a wealth of knowledge and experience to the Board related to business management and other matters. Each of them actively participates in discussions at the Board meetings, and SBG makes management judgments and decisions based on these discussions.

Major activities of External Board Directors

Name	Major activities	Attendance rate and attendance at Board of Directors meetings for fiscal 2023
Masami Iijima	Makes remarks to supervise business judgments and decision-making based on his extensive knowledge and broad global experience in corporate management and governance. Also, as Chairperson of the voluntary Nominating & Compensation Committee, leads objective discussions from an independent standpoint and plays an important role in consulting with the Board of Directors.	100% 7 of 7 meetings
Yutaka Matsuo	Makes remarks to supervise business judgments and decision-making based on his extensive knowledge and broad experience of AI and other technologies as a leading expert in the field, acquired through his engagement in AI research over many years. Also, as a member of the voluntary Nominating & Compensation Committee, expresses objective opinions from an independent standpoint and plays an important role in consulting with the Board of Directors.	100% 7 of 7 meetings
Keiko Erikawa	Makes remarks to supervise business judgments and decision-making based on her extensive knowledge and experience in corporate management and technology, acquired through her career as corporate manager and finance manager of a global digital entertainment company.	100% 7 of 7 meetings
Kenneth A. Siegel*7	Makes remarks to supervise business judgments and decision-making based on his extensive knowledge and experience in corporate M&As and strategic alliances, acquired through his career as an attorney at an international law firm.	100% 7 of 7 meetings
David Chao	Makes remarks to supervise business judgments and decision-making based on his extensive knowledge and broad experience in investment, technology, and corporate management, acquired through his long career as a manager of an investment company.	100% 7 of 7 meetings

*7 Mr. Siegel concurrently holds positions with Morrison & Foerster Gaikokuho Jimu Bengoshi Jimusho and Morrison & Foerster LLP. SBG did not submit notifications to designate him as an Independent Officer as the amount of compensation to be paid to these firms in the future is yet to be determined, regardless of whether there are any transactions between SBG and those firms.

External Board Directors

As of June 21, 2024 (numbers of shares owned are as of March 31, 2024)

Independent
Nominating & Compensation Committee member

External Board Director, Independent Officer
Masami Iijima

Years in office:
6 years
Number of shares owned in SBG:
1 thousand shares

Apr 1974 Joined MITSUI & CO., LTD.
Apr 2008 Executive Managing Officer, MITSUI & CO., LTD.
Jun 2008 Representative Director, Executive Managing Officer, MITSUI & CO., LTD.
Oct 2008 Representative Director, Senior Executive Managing Officer, MITSUI & CO., LTD.
Apr 2009 Representative Director, President and Chief Executive Officer, MITSUI & CO., LTD.
Apr 2015 Representative Director, Chairman of the Board of Directors, MITSUI & CO., LTD.
Jun 2016 Director, Ricoh Company, Ltd.
Jun 2018 Board Director, SoftBank Group Corp. (to present)
Jun 2019 Counselor, Bank of Japan (to present)
Jun 2019 Director, Isetan Mitsukoshi Holdings Ltd.
Apr 2021 Director, MITSUI & CO., LTD.
Jun 2021 Counselor, MITSUI & CO., LTD. (to present)
Jun 2021 Director (Audit & Supervisory Committee member), Takeda Pharmaceutical Company Limited
Jun 2022 Director, Takeda Pharmaceutical Company Limited (to present)
Jun 2023 Director, KAJIMA CORPORATION (to present)

Independent
Nominating & Compensation Committee member

External Board Director, Independent Officer
Yutaka Matsuo

Years in office:
5 years
Number of shares owned in SBG:
-

Apr 2002 Researcher, National Institute of Advanced Industrial Science and Technology
Aug 2005 Visiting Scholar, Stanford University
Oct 2007 Associate Professor, Graduate School of Engineering, the University of Tokyo
Apr 2019 Professor, Graduate School of Engineering, the University of Tokyo (to present)
Jun 2019 Board Director, SoftBank Group Corp. (to present)

Independent

External Board Director, Independent Officer
Keiko Erikawa

Years in office:
3 years
Number of shares owned in SBG:
303 thousand shares

Jul 1978 Founded KOEI Co., Ltd. (currently KOEI TECMO GAMES CO., LTD.), Senior Executive Director
Apr 1994 Director, Foundation for the Fusion of Science and Technology (to present)
Jun 2001 Chairman and CEO, KOEI Corporation (currently KOEI TECMO AMERICA Corporation)
May 2007 Head Director, Association of Media in Digital (to present)
Jun 2013 Chairman, Representative Director, KOEI TECMO GAMES CO., LTD.
Jun 2013 Chairman, Representative Director, KOEI TECMO HOLDINGS CO., LTD. (to present)
Jun 2014 Board Director, TECMO KOEI EUROPE LIMITED (currently KOEI TECMO EUROPE LIMITED) (to present)
Apr 2015 Chairman Emeritus (Director), KOEI TECMO GAMES CO., LTD. (to present)
Jun 2021 Board Director, SoftBank Group Corp. (to present)

External Board Director
Kenneth A. Siegel

Years in office:
3 years
Number of shares owned in SBG:
-

Aug 1986 Joined Morrison & Foerster LLP
Jan 1994 Partner, Morrison & Foerster LLP
Aug 1996 Managing Partner, Morrison & Foerster Tokyo Office (Morrison & Foerster Gaikokuho Jimu Bengoshi Jimusho) (to present)
Jan 2009 Member of Executive Committee, Morrison & Foerster LLP
Jan 2009 Board Director, Member of Executive Committee, Morrison & Foerster LLP (to present)
Jun 2021 Board Director, SoftBank Group Corp. (to present)

Independent

External Board Director, Independent Officer
David Chao

Years in office:
2 years
Number of shares owned in SBG:
-

Jun 1988 Joined Recruit Co., Ltd. (currently Recruit Holdings Co., Ltd.)
Jun 1989 Joined Apple Computer, Inc. (currently Apple Japan, Inc.)
Aug 1993 Joined McKinsey & Company, Inc.
May 1996 Co-Founder and CTO, Japan Communications Inc.
Jan 1997 Co-Founder and General Partner, DCM Ventures (to present)
Jun 2022 Board Director, SoftBank Group Corp. (to present)

Note: "Years in office" refers to the number of years until the conclusion of the General Meeting of Shareholders on June 21, 2024.

Sustainability: Governance

Corporate Officer system

SBG adopted a Corporate Officer system in July 2012 to further strengthen its business execution functions. In November 2020, SBG clarified the individuals responsible for business execution by separating the management decision-making function from the business execution function.

Corporate Officers

As of June 21, 2024

Representative Director,
Corporate Officer,
Chairman & CEO
Masayoshi Son

Board Director,
Corporate Officer,
Senior Vice President,
CFO & CISO
Head of Finance Unit
Head of Administration Unit
*CISO: Chief Information Security Officer
Yoshimitsu Goto

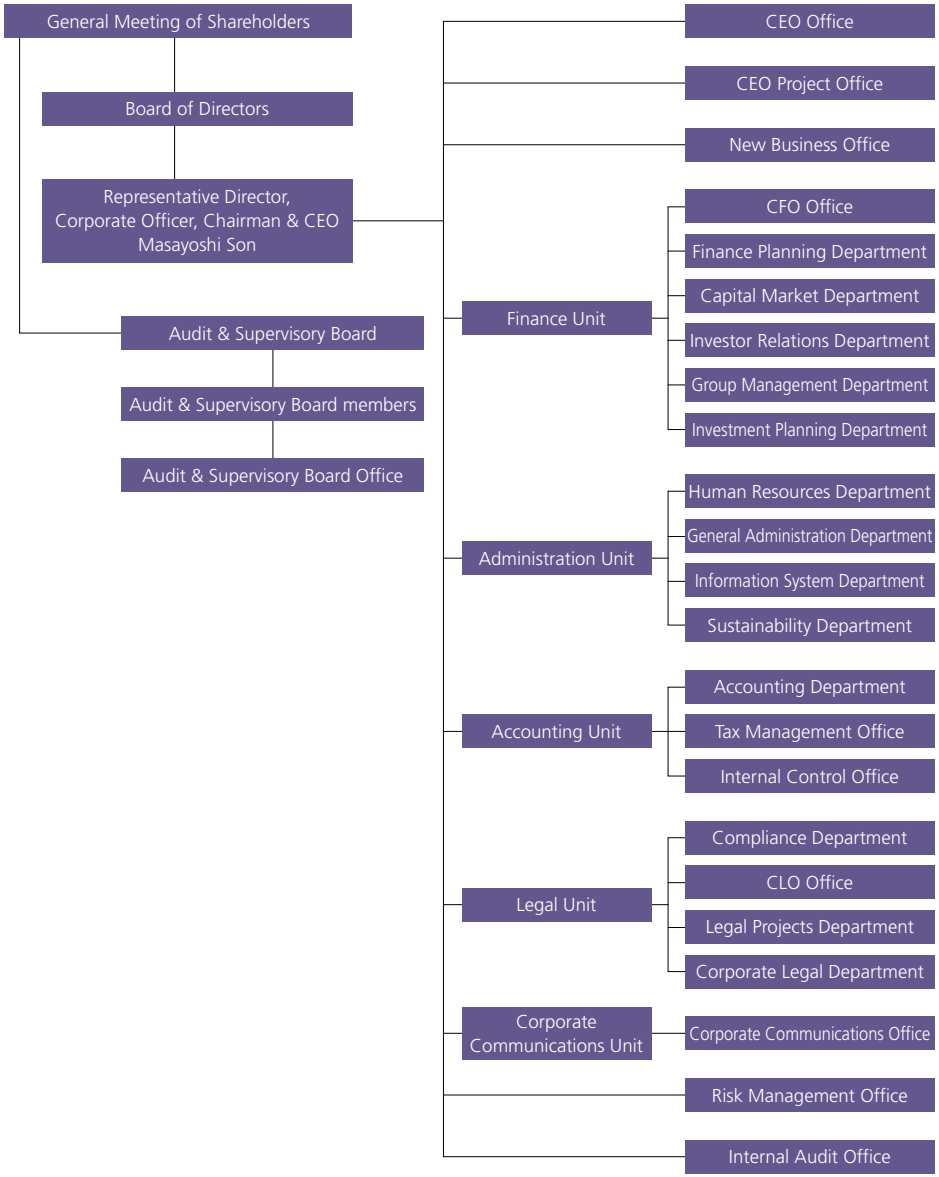
Corporate Officer,
Senior Vice President,
Head of Accounting Unit
Kazuko Kimiwada

Corporate Officer,
CLO & GCO,
Head of Legal Unit
*CLO: Chief Legal Officer
*GCO: Group Compliance Officer
Tim Mackey

Corporate Officer,
Head of CFO Office,
Finance Unit
Seiichi Morooka

Organizational chart

As of June 21, 2024



Audit & Supervisory Board members and the Audit & Supervisory Board

The Audit & Supervisory Board members attend Board of Directors meetings, allowing them to monitor and verify decision-making of the Board and fulfillment of the Board's obligation to supervise the execution of duties by each Board Director. Moreover, the Audit & Supervisory Board members receive regular reports from Board Directors, employees, Audit & Supervisory Board members and other personnel of major subsidiaries and conduct hearings, as necessary, to audit the execution of duties by the Board Directors of SBG. The Audit & Supervisory Board consists of four External Audit & Supervisory Board members (two full-time members and two part-time members) and is chaired by Maurice Atsushi Toyama, who has served as a full-time Audit & Supervisory Board member since June 2015. The Audit & Supervisory Board meets once a month, in principle. At these meetings, in addition to formulating the audit policy and plan, details of various internal and external meetings attended only by full-time members are reported to part-time members. The Audit & Supervisory Board explains details of the audit plan for each fiscal year, interim audit status, and audit results to the Board of Directors. Furthermore, the Audit & Supervisory Board determines whether or not the reappointment of the Independent Auditor is appropriate, each term.

Major activities of External Audit & Supervisory Board members

Name	Major activities	Attendance rate and attendance for fiscal 2023	
		Board of Directors meetings	Audit & Supervisory Board meetings
Maurice Atsushi Toyama	Makes remarks based on his extensive knowledge and experience as a Certified Public Accountant, State of California, U.S.	85.7% 6 of 7 meetings	100% 12 of 12 meetings
Yuji Nakata	Makes remarks based on his extensive knowledge and experience, acquired through his career as head of risk management at a financial institution.	100% 7 of 7 meetings	100% 12 of 12 meetings
Soichiro Uno*8	Makes remarks based on his extensive knowledge and experience as a lawyer.	100% 7 of 7 meetings	100% 12 of 12 meetings
Keiichi Otsuka	Makes remarks based on his extensive knowledge and experience as a Certified Public Accountant.	100% 7 of 7 meetings	100% 12 of 12 meetings

*8 Although SBG judged that there is no potential conflict of interest between Mr. Soichiro Uno and ordinary shareholders, SBG did not designate him as an Independent Officer in accordance with the rules set by the firm (Nagashima Ohno & Tsunematsu) to which he belongs.

Audit & Supervisory Board members

As of June 21, 2024 (numbers of shares owned are as of March 31, 2024)

Independent

Full-time External Audit & Supervisory Board member, Independent Officer

Maurice Atsushi Toyama

Certified Public Accountant, State of California, U.S.

Years in office: 9 years

Number of shares owned in SBG: -

Sep 1977	Joined San Francisco office of Price Waterhouse (currently PricewaterhouseCoopers)
Aug 1981	Certified Public Accountant, State of California, U.S.
Jun 2006	Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC)
Jun 2015	Full-time Audit & Supervisory Board member, SoftBank Corp. (currently SoftBank Group Corp.; to present)

Independent

Full-time External Audit & Supervisory Board member, Independent Officer

Yuji Nakata

Years in office: 3 years

Number of shares owned in SBG: -

Apr 1983	Joined Nomura Securities Co., Ltd.
Apr 2007	Executive Managing Director, Nomura Securities Co., Ltd.
Apr 2007	COO, Nomura Asia Holding N.V.
Apr 2008	Executive Managing Director, Nomura Holdings, Inc.
Nov 2008	Senior Managing Director, Nomura Securities Co., Ltd.
Apr 2016	Executive Managing Director, Nomura Holdings, Inc.
Apr 2017	Representative Executive Officer and Deputy President, Nomura Securities Co., Ltd.
May 2019	Executive Managing Director and Chief Risk Officer, Nomura Holdings, Inc.
Apr 2020	Senior Adviser, Nomura Institute of Capital Markets Research
Jun 2021	Full-time Audit & Supervisory Board member, SoftBank Group Corp. (to present)

External Audit & Supervisory Board member

Soichiro Uno

Lawyer

Years in office: 20 years

Number of shares owned in SBG: -

Apr 1988	Joined Nagashima & Ohno Law Office (currently Nagashima Ohno & Tsunematsu), admitted to practice law in Japan
Nov 1993	Passed the bar examination of the State of New York, U.S.
Jan 1997	Partner, Nagashima & Ohno Law Office (currently Nagashima Ohno & Tsunematsu; to present)
Jun 2004	Audit & Supervisory Board member, SoftBank Corp. (currently SoftBank Group Corp.; to present)
Jun 2018	Director (Audit & Supervisory Committee Member), Dream Incubator Inc.
Jun 2019	Director (Audit & Supervisory Committee Member), Terumo Corporation (to present)

Independent

External Audit & Supervisory Board member, Independent Officer

Keiichi Otsuka

Certified Public Accountant

Years in office: 3 years

Number of shares owned in SBG: -

Nov 1978	Joined Price Waterhouse Accounting Office
Aug 1982	Registered as a Certified Public Accountant
Jul 1998	Representative Partner, Aoyama Audit Corporation
Sep 2006	Representative Partner, PricewaterhouseCoopers Aarata (currently PricewaterhouseCoopers Japan LLC)
Jun 2016	Audit & Supervisory Board Member, TBK Co., Ltd. (to present)
Jul 2016	Representative of Otsuka CPA Office (to present)
Jan 2017	Director, Shizuoka Bank (Europe) S.A.
Jun 2021	Audit & Supervisory Board member, SoftBank Group Corp. (to present)

Note: "Years in office" refers to the number of years until the conclusion of the General Meeting of Shareholders on June 21, 2024.

Independent Auditor

Status of audit by the Independent Auditor

SBG concluded an independent audit agreement with Deloitte Touche Tohmatsu LLC based on the Financial Instruments and Exchange Act. The names of the Certified Public Accountants who executed audit duties in fiscal 2023, the consecutive auditing period, the number of assistants for the audit duties, the policy for selection of the audit corporation, and evaluation of the audit corporation by the Audit & Supervisory Board for fiscal 2023 are as follows.

Names of Certified Public Accountants who executed audit duties

Designated Limited Liability Partner and Engagement Partners: Nozomu Kunimoto, Ayato Hirano, Yusuke Masuda

Consecutive auditing period

18 years

Composition of assistants who supported audit duties

Certified Public Accountants: 35, Others: 52

Policy for selection of audit corporation and evaluation of audit corporation by the Audit & Supervisory Board

The Audit & Supervisory Board sets forth criteria for appropriately selecting an Independent Auditor and appropriately evaluating the Independent Auditor in the Audit & Supervisory Board Members Audit Regulations. In accordance with such criteria, the Audit & Supervisory Board takes into account the system to ensure the proper execution of duties by the Independent Auditor, the independency required by the Independent Auditor, and its expertise, including the possession of worldwide network resources, and determines whether the reappointment of the Independent Auditor is appropriate each fiscal year. The Audit & Supervisory Board has determined that reappointment was appropriate for fiscal 2023. In the event that the Audit & Supervisory Board determines that reappointment is inappropriate, it considers other candidates for Independent Auditor in accordance with such criteria, upon taking into account factors such as audits at other companies.

The Audit & Supervisory Board has resolved, as its decision-making policy of dismissal or not reappointing of the Independent Auditor, that the Independent Auditor may be dismissed by the Audit & Supervisory Board with unanimity of Audit & Supervisory Board Members when the Independent Auditor corresponds to any of Paragraph 1, Article 340 of the Companies Act, and that, other than those cases above, the Audit & Supervisory Board shall submit a proposal on dismissal or not reappointing of the Independent Auditor to the Annual General Meeting of Shareholders when it is acknowledged that the execution of appropriate audit is difficult due to the occurrence of an event which impairs the qualification or independency of the Independent Auditor.

Compensation for audits and other duties (fiscal 2023)

Compensation for auditing Certified Public Accountants and other assistants

	Compensation for audit certification duties (Millions of yen)	Compensation for non-audit duties (Millions of yen)
SBG	920	16
Consolidated subsidiaries	4,547	83
Total	5,467	99

Note: The non-audit duties for SBG consist of the preparation of comfort letters when issuing corporate bonds. The non-audit duties for consolidated subsidiaries of SBG mainly consist of the preparation of comfort letters when issuing corporate bonds.

Compensation to the same network as SBG's auditing Certified Public Accountants and other assistants (Deloitte Touche Tohmatsu Limited) (excluding "Compensation for auditing Certified Public Accountants and other assistants")

	Compensation for audit certification duties (Millions of yen)	Compensation for non-audit duties (Millions of yen)
SBG	–	0
Consolidated subsidiaries	5,510	116
Total	5,510	116

Note: The non-audit duties for SBG consist of advisory services for taxation. The non-audit duties for the consolidated subsidiaries of SBG mainly consist of consulting services for system construction support.

Other material compensation for audit certification duties

Not applicable.

Reason(s) why the Audit & Supervisory Board gave its consent to the compensation of the Independent Auditor, etc.

The Audit & Supervisory Board, based on the "Practical Guidelines for Cooperation with Accounting Auditors" published by the Japan Audit & Supervisory Board Members Association, reviewed and examined the plan details of the audit conducted by the Independent Auditor, the performance status of accounting audit duties, and the basis for calculating compensation estimates, and from the results, has given the consent prescribed in Paragraph 1, Article 399 of the Companies Act for the compensation paid to the Independent Auditor.

Cooperation between the Audit & Supervisory Board members, the Independent Auditor, and the Internal Audit Office

The Audit & Supervisory Board members receive regular briefings from the Independent Auditor (Deloitte Touche Tohmatsu LLC) on the audit plan, quarterly reviews, audit results, and other matters. The Audit & Supervisory Board Members and the Independent Auditor also cooperate as necessary by exchanging information and opinions, among other measures. Furthermore, the Audit & Supervisory Board members receive regular briefings from the Internal Audit Office, which is responsible for SBG's internal audits. The briefings include the audit plan and the results of internal audits performed on each department of SBG and its major subsidiaries. The Audit & Supervisory Board Members and the Internal Audit Office also cooperate as necessary by exchanging information and opinions, among other measures.

The Independent Auditor receives briefings from the Internal Audit Office on the audit plan and, when necessary, on the results of internal audits and other matters. The Internal Audit Office receives regular briefings from the Independent Auditor regarding audit results and other matters. Moreover, both parties cooperate with each other as necessary by exchanging information and opinions, among other measures.

Committees that make decisions on matters delegated by the Board of Directors

Investment Committee

The Investment Committee has the purpose of making decisions on matters for which it has been delegated authority by the Board of Directors, to carry out corporate activities flexibly.
The Committee comprises four Board Directors or Corporate Officers elected by the Board (Masayoshi Son, Yoshimitsu Goto, Kazuko Kimiwada, and Tim Mackey). The agenda items for discussion in the Investment Committee are set forth in the Regulations of the Investment Committee. Such items include investments, loans, and borrowings under a certain amount. Resolutions of the Committee are only approved by majority agreement. If a proposal is rejected, it is brought to the Board of Directors. All resolutions of the Committee are reported to the Board of Directors.

Brand Committee

The Brand Committee is a committee that has been delegated authority by the Board of Directors to make decisions on and properly manage matters related to the SoftBank brand. The Committee comprises five members including the chairman (Board Director, Corporate Officer, Senior Vice President, CFO and CISO), who has been selected by the Board of Directors, and four members (Corporate Officer, Senior Vice President Kazuko Kimiwada, the head of CLO Office Natsuko Oga, the head of the Corporate Communications Office Takeaki Nukii, and the head of the General Administration Department Tatsuya Iida), who have been appointed by the chairman. The Committee resolves matters set forth in the Regulations of the Brand Committee, including the licensing of the SoftBank brand. Resolutions of the Committee are only approved by unanimous agreement from all members, and all decisions made by the Committee are reported to the Board of Directors.

Voluntary committees

Nominating & Compensation Committee

The Nominating & Compensation Committee is a voluntary advisory body to the Board of Directors deliberating on matters related to nomination and compensation, and provides advice and support to the Board of Directors and other appropriate approval organizations. Nominating & Compensation Committee members are elected from among Board Directors, and a majority of its members are Independent External Board Directors to ensure their independence and objectivity. The Committee has three members: Masami Iijima (Committee Chairperson, Independent External Board Director), Yutaka Matsuo (Independent External Board Director), and Masayoshi Son (Representative Director, Corporate Officer, Chairman & CEO). During meetings, the members discuss the criteria for appointing and dismissing important officers and employees, candidates for nominating, general compensation policy, individual compensation proposals, and other important matters. It also conducts discussions on successors on an ongoing basis. The Committee holds regular meetings in April as well as special meetings when necessary. In fiscal 2023, it held two meetings, each with full attendance.

Group Risk and Compliance Committee (GRCC)

The purpose of the Group Risk and Compliance Committee (GRCC) is to supervise the risk management and compliance program of SBG and its Group companies and discuss important issues, promotion policies, and other matters on an ongoing basis. The Committee has three members, including its chairperson, Tim Mackey (Corporate Officer, Chief Legal Officer (CLO) & Group Compliance Officer [GCO]), who was appointed by the Board of Directors; Yoshimitsu Goto (Board Director, Corporate Officer, Senior Vice President, CFO and CISO); and Kazuko Kimiwada (Corporate Officer, Senior Vice President). The GRCC deliberates on matters related to the risk management and compliance activities of SBG and its Group companies as set forth in the GRCC Operation Regulations. Its decisions are only approved by majority agreement. The Committee's agenda items and discussion results are reported to the Board of Directors on a regular basis (at least once a year) based on the Board of Directors Regulations.

Sustainability Committee

The purpose of the Sustainability Committee is to discuss sustainability-related issues and promotion policies of SBG and its Group companies on an ongoing basis. The Committee comprises four members including the chairperson (the head of the Investor Relations Department and the Sustainability Department, Yotaro Agari), who has been appointed as Chief Sustainability Officer by the Board of Directors, and three members (Board Director, Corporate Officer, Senior Vice President and CFO & CISO Yoshimitsu Goto; Corporate Officer, Senior Vice President Kazuko Kimiwada; and Corporate Officer and CLO & GCO Tim Mackey). The Committee deliberates on matters related to sustainability as set forth in the Sustainability Committee Operation Regulations. The Committee's agenda items and discussion results are reported to the Board of Directors as appropriate in accordance with the provisions of the Board of Directors Regulations..

Policy on determining compensation amounts and calculation methods

Overview of the executive compensation system

The executive compensation policy of SBG is decided by a resolution of the Board of Directors, accounting for the societal and relative status of each officer, as well as the degree of their respective contributions to SBG, while referring to compensation survey results conducted by professional organizations, so that the system provides compensation that is reasonably competitive and can attract global talent who share the same aspirations. The individual amount of compensation is determined pursuant to the procedure described in "Organization and procedures for deciding executive compensation." For Board Directors whose main duties are as officers of subsidiaries and Group companies, compensation is determined by the compensation policy of each company, based on the *Cluster of No. 1 Strategy*, and such compensation is paid by subsidiaries and Group companies. The Compensation for External Board Directors and Audit & Supervisory Board Members consists exclusively of fixed compensation because they are independent of business execution.

Components of executive compensation

	Component	Details	Overview
Aggregate compensation for Board Directors*9	Fixed compensation	Basic compensation	▷ An annual amount is set on an individual basis and paid in fixed monthly cash installments. ▷ The amount of compensation is decided on an individual basis, taking into consideration whether the officer is full-time or part-time, as well as their positions and the duties they are in charge of.
	Performance-based compensation*10	Cash bonuses	Incentive for short-term performance ▷ Cash bonuses are paid every fiscal year as compensation for the execution of duties while in office.
		Share-based payment	Incentive to improve corporate value over the medium- to long-term ▷ Stock options using stock acquisition rights are provided with the aim to encourage executives to make continuous management effort, while sharing mutual interest with shareholders through increases in the share price. ▷ The contents of stock acquisition rights include normal stock options (with the exercise price calculated based on the market price at the time of allotment) and share-based stock options (with an exercise price of ¥1). The exercisable period will be set within a range of 10 years from the day following their allotment date.

*9 Excludes compensation for External Board Directors

*10 The amount of cash bonuses and the number of stock acquisition rights allotted as stock compensation are decided based on multiple performance indicators for adequately rewarding the results achieved through business activities. Specifically, it is decided on an individual basis and shall take into consideration individual performance based on each officer's ability and achievements, as well as company performance including consolidated results, the stock price, and NAV (Net Asset Value).

Organization and procedures for deciding executive compensation

Executive compensation is paid within the range of the aggregate amount of compensation approved by the resolution of the General Meeting of Shareholders, subject to confirmation that it is in line with the aforementioned compensation policy and is found to be both rational and reasonable. The aggregate amount of compensation for Board Directors was capped at ¥5 billion in monetary compensation and ¥5 billion in share-based compensation,*11 while that for Audit & Supervisory Board members was capped at ¥160 million.*12

The compensation of the Board Directors for fiscal 2023 has been decided by Representative Director, Corporate Officer, Chairman & CEO (Masayoshi Son), based on the contents of discussions by the Nominating & Compensation Committee, which is a voluntary advisory body to the Board of Directors, within the range of authority entrusted to him by resolution of the Board of Directors. The Nominating & Compensation Committee shall review proposed compensation from multiple viewpoints, including consistency with the SBG compensation policy and make a report to the Board of Directors on its deliberation details. The Board of Directors reconfirms that the deliberations are in line with the SBG compensation policy. To ensure independence, compensation for Audit & Supervisory Board members for fiscal 2023 was decided through consultation among Audit & Supervisory Board members after the conclusion of the Annual General Meeting of Shareholders in June 2023.

*11 Resolved at the 38th Annual General Meeting of Shareholders on June 20, 2018. SBG was served by 12 Board Directors (including three External Directors) at the time of the resolution.

*12 Resolved at the 41st Annual General Meeting of Shareholders on June 23, 2021. SBG was served by four Audit & Supervisory Board Members (all four being External Audit & Supervisory Board Members) at the time of the resolution.

Total amount of compensation by title (fiscal 2023)

Title	Number of people	Subtotals for each type of compensation (Millions of yen): Fixed compensation (Basic compensation)	Performance-based compensation (Bonus)	Others	Total amount of compensation (Millions of yen)
Board Directors (excluding External Board Directors)	3	168	344	1	513
External Board Directors	5	193	–	–	193
External Audit & Supervisory Board members	4	90	–	–	90
Total	12	451	344	1	795

Total consolidated compensation paid to respective Board Directors whose total consolidated compensation is ¥100 million or more (fiscal 2023)

Name	Amount of consolidated compensation (Millions of yen)	Title	Company name	Subtotals for each type of consolidated compensation (Millions of yen): Basic compensation	Bonus	Share-based payment	Others
Masayoshi Son	100	Board Director	SBG	12	78	–	–
			SoftBank Corp.	–	–	10	–
Yoshimitsu Goto	351	Board Director	SBG	84	266	–	1
Ken Miyauchi	844	Board Director	SoftBank Corp.	84	726	34	–
Rene Haas	3,458	Board Director	SBG	72	–	–	–
			Arm Limited	154	1,237	1,993	2

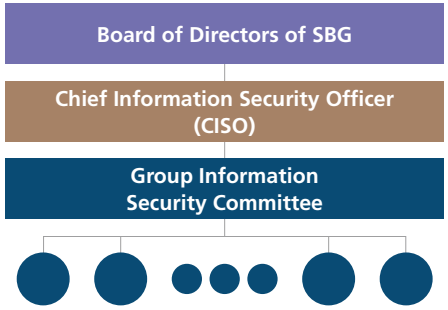
Information security

As a strategic investment holding company, SBG promotes initiatives to strengthen information security in the Group to realize and lead a safe and secure digital society.

Constructing an information security governance system

To promote and strengthen information security in the Group, we have established an information security governance system with the appointment of Yoshimitsu Goto (Board Director of SBG) as Chief Information Security Officer (CISO).

Information Security Governance Structure



CISOs of each Group company

In the event of a serious information security incident in the Group, the department in charge shall respond to and restore the situation quickly and appropriately under the control of the CISO. To prevent any recurrence, we analyze the causes of information security incidents to identify possible issues and reflect them in our information security strategy while working to improve security-related education for officers and employees.

Initiatives to strengthen information security

Collaboration with Group companies and portfolio companies

SBG regularly exchanges information on information security threats and countermeasures with Group companies and investee companies that do business globally. In addition to keeping abreast of the latest security-related technologies, we act quickly to introduce advanced services and systems offered by each company to ensure secure work environments.

NIST CSF compliance and external organization assessments

SBG implements measures that comply with NIST CSF,*13 a cybersecurity framework adopted by organizations and enterprises around the world, and has received security-related assessments by external organizations with expertise in the U.S. and other countries.

*13 NIST CSF is a cybersecurity framework (CSF) established by the National Institute of Standards and Technology (NIST) that consolidates standards, guidelines, and best practices for cybersecurity risk management.

Two-star certification (highest level) by the Information Technology Federation of Japan

SBG's Group-wide efforts related to cybersecurity and information disclosure earned a two-star certification (the highest level) by the Information Technology Federation of Japan, Japan's biggest IT association. Of the Nikkei 500 Stock Average constituent companies which were rated, SBG was among the 14 companies that were awarded two stars.

For the latest information on SBG's information security, see "Information Security" on our website.

For more information about the Information Technology Federation of Japan's rating program, see "External Evaluation" on our website.

Policy for constructive dialogue with shareholders

To encourage constructive dialogue with shareholders and investors (investors in stocks and bonds), SBG assigns IR duties to the Investor Relations Department, which had 17 members including the head of the department as of June 1, 2024. Under the supervision of Board Director, Corporate Officer, and Senior Vice President, the department conducts IR activities in close coordination with related departments, including Accounting, Finance, Legal, and General Administration. Dialogue with shareholders and investors is the responsibility of the Investor Relations Department and senior management, including Board Director, Corporate Officer, and Senior Vice President.

Relaying stakeholders' feedback to the management and the Board of Directors

To create a positive cycle of feedback, opinions and concerns from shareholders and investors are conveyed to the management and the departments concerned in a timely fashion, so that the management and the departments will make the necessary changes in their initiatives, disclosures, or messaging. Alongside this feedback cycle, the Board of Directors regularly hears reports on stakeholder feedback and shareholders' holding trends.

For the latest IR information, see "Investor Relations" on our website.

Number of meetings with institutional investors / analysts:

Fiscal 2021	Fiscal 2022	Fiscal 2023
624	661	762

Main themes of dialogue and shareholder concerns

1. Capital allocation
2. Investment strategy
3. NAV discount
4. Arm
5. SoftBank Vision Funds

Communication with international investors

- Video interview with CFO (short video format)
- Transcription of Q&A sessions at various earnings events

Status of implementation of share price-conscious management

In accordance with the request it received from the Tokyo Stock Exchange on March 31, 2023, SBG has disclosed the status of implementation on our website.

See "Status of Implementation of Share Price-Conscious Management" on our website.

Initiatives for taxation

Tax Policy (enforced from July 29, 2022)

The Group's Tax Policy sets out the principles concerning taxation affairs to be observed by SBG and its subsidiaries when conducting business activities. The Policy was decided by a resolution of SBG's Board of Directors. It states the Group's system for the execution of operations and risk management related to taxation affairs, compliance with all relevant tax-related laws and ordinances when conducting business activities, endeavor to ensure appropriate payment of taxes and optimization of tax costs, and establishing favorable relationships with tax authorities. The Group will conduct its business activities in accordance with the laws and ordinances of each country and fulfill its tax obligations appropriately, thereby contributing to the economic and social development of the countries in which we operate.

See the full text of our Tax Policy on our website.

Policy

Governance

The Head of the Accounting Unit of SBG is the person responsible for the taxation affairs of the Group, and the Accounting Unit of SBG (the "Accounting Unit") shall be the organization responsible for overseeing operations related to the taxation affairs of the Group. Each Group company shall establish a department or appoint personnel specializing in taxation affairs ("Tax-related Department") and work closely with the Accounting Unit to conduct day-to-day management of taxation affairs. The Accounting Unit will regularly report on the status of execution of duties related to the Group's taxation affairs to the Board of Directors and the Audit & Supervisory Board of SBG, and will be supervised to ensure an appropriate system for the execution of operations related to taxation affairs.

Tax risk management

The Accounting Unit and the Tax-related Departments of Group companies will effectively utilize the knowledge of external experts to constantly stay abreast of the latest information on tax-related laws and regulations in Japan and overseas, and international standards and the like, and endeavor to proactively foresee tax risks. In addition, they will strive to minimize risks by considering countermeasures for any foreseen tax risks. In the event that a significant tax risk of the Group materializes, each Group company shall immediately report to the Accounting Unit, and the Accounting Unit will promptly report to SBG's Board of Directors and Audit & Supervisory Board, and coordinate with Group companies as required, and endeavor to take appropriate action.

Compliance with laws and regulations

The Group will comply with all relevant tax-related laws and regulations when conducting business activities, and take measures based on the "Action Plan on Base Erosion and Profit Shifting" (BEPS Action Plan) set forth by the Organisation for Economic Co-operation and Development (OECD) to ensure appropriate payment of taxes. We will also take measures with respect to transfer pricing taxation to ensure compliance with OECD Transfer Pricing Guidelines, including the arm's length principle.

Appropriate payment of taxes and optimization of tax costs

The Group will comply with all tax-related laws and regulations related to its business, and endeavor to ensure appropriate payment of taxes and optimization of tax costs by taking measures such as utilizing preferential tax treatment allowed under the tax laws of each country in which we operate and eliminating double taxation, thereby improving the Group's corporate value.

Relationship with tax authorities

The Group will establish sound and favorable relationships with tax authorities in Japan and overseas ("Authorities") and will sincerely explain the Group's tax status to the Authorities in a factual manner. In the event that any difference of opinion arises between the Group and the Authorities with respect to any particular matter, we will strive to resolve such differences of opinion through constructive discussions.

Competent department

The Accounting Unit of SBG is in charge of this Policy.

Revision or repeal

Any material revision or repeal of this Policy requires a resolution of the Board of Directors of SBG.

Sustainability: Governance

Characteristics of the Group's Taxation

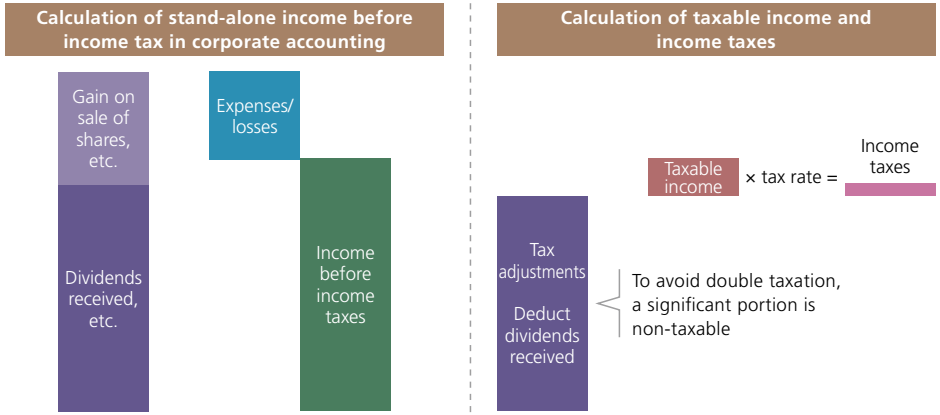
Income on the consolidated statement of profit or loss is not directly connected to SBG's stand-alone tax payment amount.

The consolidated statement of profit or loss of SBG presents the operating results for SBG and its subsidiaries as a group, while the stand-alone statement of profit or loss presents SBG's operating results as a stand-alone company. Moreover, the income on SBG's stand-alone statement of profit or loss is only the income for accounting purposes, which differs from the income used as the basis for calculating income taxes (taxable income). SBG has not introduced the Consolidated Tax Return Filing System (Japanese Group Relief System).

The majority of SBG's stand-alone operating revenue is dividends received from affiliates, a significant portion of which is non-taxable.

As a pure holding company, the majority of SBG's stand-alone operating revenue is dividends received from its subsidiaries and associates. These subsidiaries and associates pay income taxes on their respective income and then pay dividends from the remaining income. Therefore, a substantial portion of the dividends received falls outside the scope of taxation for SBG. On the other hand, one-time gains from the sale of shares owned by SBG are taxable.

Illustration for calculation of SBG's stand-alone income before income tax and income taxes



Note: Loss carryforwards, if any, can be used to partially reduce taxable income.

Taxes related to SoftBank Vision Funds investment business are compliant with the tax systems of the relevant jurisdictions, including Japan.

Income taxes paid on a consolidated basis (net)

(Billions of yen)

			Fiscal 2020	Fiscal 2021	Fiscal 2022	Fiscal 2023
Consolidated			324.5	589.3	525.9	816.8
	Japan		189.5	551.2	469.7	717.0
		SBG and holding companies (wholly owned subsidiaries)	(85.3)	200.0	214.2	443.3
		Operating companies, mainly SoftBank and LY Corporation	274.8	351.2	255.5	273.7
	Overseas		135.0	38.1	56.2	99.8

Notes:
1. The amounts are the net amount of tax payments and tax refunds.
2. Income taxes paid on a consolidated basis match the net amount of "income taxes paid" and "income taxes refunded" in the consolidated statement of cash flows.
3. Income taxes paid by SBG and intermediate holding companies in Japan for fiscal 2020 was negative due to the refund of JPY 143 billion in withholding income tax paid in fiscal 2019.
4. SBG and intermediate holding companies in Japan have paid JPY 443.3 billion in income taxes for fiscal 2023, including an interim payment of JPY 118 billion, of which JPY 76.3 billion is expected to be refunded in fiscal 2024.

Message from External Board Director

Harnessing Organizational Patience to Maximize AI-driven Business Opportunities

Dynamic discussions with a diverse Board

My connection with SBG goes back 23 to 24 years, when I first met Son-san (Masayoshi Son, Representative Director, Corporate Officer, Chairman and CEO of SBG). At that time, I had already founded DCM Ventures and was investing in technology companies across Japan, the U.S., and China. Back then, venture capitalists (VCs) typically focused on their domestic markets, operating in "silos" with U.S. VCs investing in the U.S. and Japanese VCs investing in Japan. I always felt that this silo mentality was somewhat limiting. So, whenever I exchanged ideas with Son-san, his global investment perspective truly resonated with me and aligned with my own thinking. Since joining SBG as an external director two years ago, I see my role as leveraging my Silicon Valley and global investment experience to enhance SBG's corporate value, going beyond the typical responsibility of overseeing management decisions.

David Chao
External Board Director, Independent Officer

At the Board meetings, we thoroughly discuss various topics, including strategic matters. What I find particularly unique and excellent about SBG is that after each Board meeting, the directors always gather for an informal discussion that lasts two to three hours. In these sessions, we freely exchange opinions on a variety of topics, including Son-san's vision, new projects, market perspectives, and more, sometimes engaging in heated debates. For me, these informal gatherings also play a meaningful part in the role of the Board at SBG because they allow us to delve deeper into the topics covered in the formal meetings. Son-san often comes up with surprising new ideas, but because we have discussed the underlying concepts in these informal settings, we can quickly see how his ideas fit into the overall strategy.

Another strength of our Board is the highly interactive discussions that arise from having members with diverse industry backgrounds. We all share the common understanding that the more diverse the board, the better. We are witnessing an unprecedented AI revolution that will impact people in all corners of the world in a more profound way than the industrial and mobile revolutions. Therefore, having a diverse range of skills and expertise to navigate this revolution is crucial and we can continue to do better.

In addition, developing a succession plan for the unique entrepreneur Son-san is a challenge. However, with the AI revolution unfolding very rapidly before us, this moment is crucial for SBG's future growth. Usually, the larger a company gets, it becomes less agile and flexible. This is why small nimble start-ups can sometimes become giant-killers. Son-san has proven over the years that he can continue to lead SBG, a very large organization, and at the same time, be nimble. Therefore, what we need most right now is the swift decision-making of Son-san, the founder, and the agile and flexible actions of SBG as an organization. Finding a successor is not easy, and while we understand the necessity of a succession plan, at this pivotal moment, I believe our higher priority is to attract great talent and ensure sustainable growth around the nimble founder who is also the soul of the company.

Message from External Board Director

The art of patience in venture investment

In Board discussions, I often share my views on technology trends. Additionally, given my experience as both an entrepreneur and a venture capitalist, I frequently emphasize the need for patience. The nature of venture investing varies significantly from early to middle to late stages. When I first joined, I was struck by the view held by some, that the majority of the investments would do reasonably well. This expectation, along with the tendency to seek quick results, needed to be addressed. In the venture world, start-ups that go out of business appear earlier in the investment cycle. In contrast, companies that do well in the long run take time to mature and the winners are not obvious for many years. In baseball terminologies, there are strikeouts and hits, and occasionally, a grand slam home run like Alibaba, which took 15 years since the company was founded to IPO. In venture investing, we need to understand this and be patient as an organization over the long term.

In general, venture capital return follows a J-curve, where the IRR is negative for the first three or four years. Some of SoftBank Vision Funds' investments have shown early positive results, making it difficult to see the typical J-curve pattern. However, it takes a long time for the upward trend of a J-curve to emerge. SBG is investing in promising companies, and I believe we will eventually see some home runs. It is crucial to communicate to external stakeholders that this process takes time. We need to be patient and continue to support our portfolio companies from within. Ultimately, I believe the track record of the hundreds of companies we have invested in will reveal winning trends and help highlight the key companies and areas to focus on. I hope that we can learn a lot, not only from the successes but also from the failures, embracing new challenges and turning them into successes.

Looking ahead at the VC market, my sense is that the industry, aside from AI, is about a year away from bottoming out. About 12 to 18 months ago, when fundraising was difficult and the market was sluggish, many existing investors made additional investments in the form of bridge loans or rounds that propped up the valuations. The industry standard at that time was to provide one more round of funding that would allow companies to survive one to two years longer and see what happens. Therefore, in the next 12 to 18 months, there will be a clear distinction between companies that can survive and those that cannot. In any case, once the market goes down, it would take three to four years to recover, as we saw with the dot-com bubble.

On the other hand, AI companies with strong teams continue to attract funding and maintain their valuations. Still, over the next two years or so, we will likely see a clearer division within the AI sector, with some areas experiencing growth and others not. This period will be crucial for selecting companies with promising business models for growth.

The power of reinvention: What sets SBG apart

I think that Son-san and SBG, which he founded, are exceptional in their ability to boldly transform with the times and "reinvent" themselves to deliver results in new fields. Starting as a software wholesaler, then moving into PCs, the Internet, mobile, and now AI, they have repeatedly created new businesses in entirely different fields. I have worked with many successful technology CEOs and corporations globally, but Son-san and his team's ability to continuously reinvent is rare. It is challenging enough to venture into new businesses and achieve results, but Son-san has successfully and positively reinvented SBG multiple times. The recent IPO of Arm is another example. Within SBG, there is a culture of constantly embracing new challenges. Even though the future is uncertain, Son-san and SBG are full of enthusiasm to create new businesses and contribute to society.

SBG's growth potential in the AI era

AI is now broadly categorized into machine learning and generative AI. SBG has been involved in AI for the past six to seven years, closely following the evolution of machine learning. This has allowed us to quickly adapt to the emergence of generative AI without missing the timing. This perfectly exemplifies the saying: "Chance favors the prepared mind."

Looking back on the technology revolution to date, there have been four waves: Computer (mainframes, server-client and PCs), the Internet, Mobile, and now AI. While PCs are now affordable for personal use, the development of the PC market was initially driven by B2B, while the growth and proliferation of the Internet and mobile were propelled by B2C. So how will the fourth wave, AI, unfold? Like the computer revolution, I envision AI initially creating added value in the B2B sector and then making a significant leap forward from there. In this regard, Son-san's experience with the computer revolution, where technology growth was initially centered on B2B, will be a tremendous advantage in capturing future growth opportunities.

We are already seeing six or seven companies emerging as likely core players in the future AI space, and the next-generation AI ecosystem is being built around them. Arm is one of these core players. Arm has always fortified itself by creating an ecosystem, expanding into areas such as mobile, automotive, and servers. This ecosystem business model is embedded in Arm's DNA and will help them maintain its competitive advantage to fuel their growth. With Arm, which provides foundational AI technologies, I believe SBG is well-positioned to capture future growth opportunities and lead in the AI era.

Compliance

Commitment to Integrity

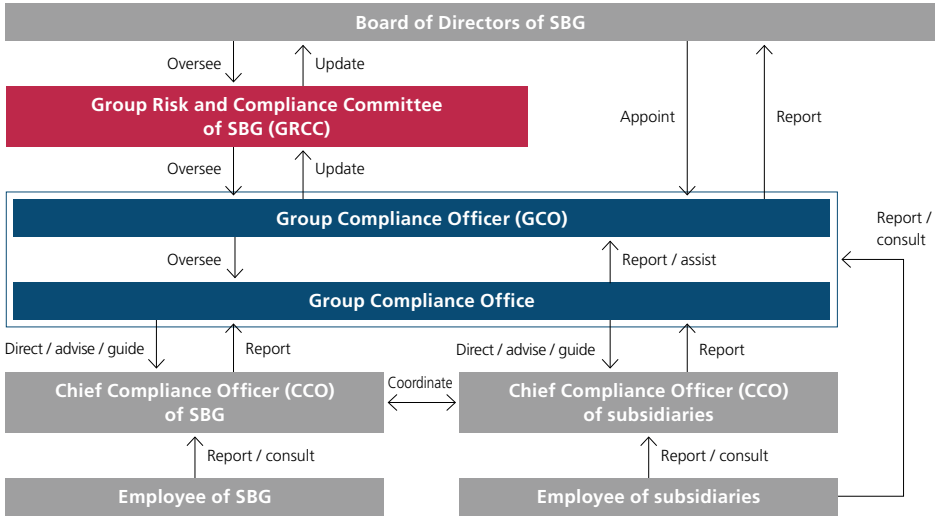
Compliance as the foundation of our business

We believe that our commitment to integrity, which goes beyond legal and regulatory compliance, must be the foundation of our business. We aim to create an organization where every officer and employee demonstrates the highest degree of ethical conduct in every action they take.

Organizational structure

The Board of Directors of SBG has appointed a Group Compliance Officer (GCO) as the chief officer responsible for compliance across the Company, and similarly, each subsidiary appoints a Chief Compliance Officer (CCO). The GCO and CCOs have the responsibility to implement systems designed to ensure compliance with applicable laws and regulations and to promote ethical conduct. The GCO and CCOs periodically report material incidents and risks together with activities of their ethics and compliance programs to their respective board of directors.

Group compliance structure



Structure of SBG's ethics and compliance program

Ethics and compliance program and oversight

The Group Risk and Compliance Committee (GRCC) consists of Board Directors and Corporate Officers of SBG and provides oversight of the risk management and ethics and compliance programs of the Company. The GRCC assesses the key performance indicators that measure the effectiveness of the risk management and ethics and compliance programs such as risk assessments, risk mitigation, and incidents of noncompliance. SBG's Board of Directors receives regular separate reports on, and evaluates and supervises the effectiveness of, the ethics and compliance programs.

Code of conduct and Group policies

SBG has established the "SoftBank Group Code of Conduct" as the standard that all the Company's officers and staff should follow. Our Code of Conduct sets out standards to guide the Company's officers and staff across various areas such as anti-corruption, prohibition on discrimination, confidentiality, conflicts of interest, antitrust laws, money laundering, insider trading, working environment, and whistleblowing. In April 2024, SBG updated the SoftBank Group Code of Conduct to proactively integrate AI into our operations. This update reflects our belief in the future happiness that AI can bring. It also outlines the necessary considerations for promoting the ethical and responsible use of AI by our employees, aiming for the achievement

Compliance

Top page of the SoftBank Group Code of Conduct website

See the full text of our Supplier Code of Conduct on our website.

See the SoftBank Group Code of Conduct on our website for further details.

Top screen of intranet site, Compliance Awareness Month 2023

Compliance e-learning

of responsible AI practices. SBG has also established the "Supplier Code of Conduct" to clarify the ethical standards we would like our suppliers to follow.

SBG has implemented a full suite of Group Policies that establish Group-wide minimum requirements for all subsidiaries and their officers and staff across key risk areas such as anti-corruption, competition law, conflicts of interest, insider trading, economic sanctions, information security, privacy, human rights, brand management, corporate governance, the environment, risk management, and taxes. In line with the actual operation of the centralized management system for insider information and investment conflicts, introduced in 2022 for SBG and its investment-focused subsidiaries, SBG revised the related policies in fiscal 2023 to further strengthen the management structure.

SBG conducts an annual review of all the Group Policies and made certain revisions as appropriate. We will continue to periodically review and revise them.

Training and awareness

The Company conducts training and awareness-raising activities to ensure that officers and staff recognize risk areas and have the information they need to make the right choices.

The Company provides training for officers and staff regarding high-risk areas such as conflicts of interest. SBG has introduced a global training system, which, in addition to providing the Code of Conduct training, provides Group companies in Japan and abroad with training that addresses different areas of risk for each of them.

As one example of the awareness-raising activities, SBG holds the Compliance Awareness Month annually for officers and staff of SBG and those at its major subsidiaries in Japan and overseas. SBG also periodically delivers communications through animated videos and comics featuring actual cases and familiar compliance issues to enable its officers and staff to refresh and consolidate their knowledge about ethical behaviors. The use of visually memorable contents is designed to be easily understood.

Monitor, audit, and review

SBG has established a global ethics and compliance helpline to receive reports and consultations regarding compliance violations involving the Company or its officers and employees, from our officers, employees, business partners, and other third parties. Reports and consultations can be made anonymously to the extent permitted by laws and regulations. We received frequent reports and requests for advice in fiscal 2023 from across the Company. The CCOs are responsible for setting up helplines for their respective companies. Significant substantiated cases must be escalated to the GCO.

SBG conducts an employee survey to measure its ethical culture and the effectiveness of its compliance program. SBG uses the results of the survey to improve its ethics and compliance programs for the next year.

Risk Management

Mitigating Impediments to Sustainable Growth

Risk management system

At SBG, the Risk Management Office spearheads Group-wide risk management activities cooperating with each Group company and department. The office is supervised by the Chief Risk Officer (CRO), who is appointed by the Board of Directors with responsibility for Group-wide risk management.

SBG established the Risk Management Policy to ensure a Group-wide understanding of the purpose of risk management and to clarify the basic roles of officers, employees, and risk managers. This policy applies to all officers and employees of SBG and the Group companies to encourage their active involvement in risk management activities. In accordance with SBG's Risk Management Regulations and the Group Company Management Regulations, which are set under the Risk Management Policy, SBG and the Group companies appoint risk managers. The risk managers are responsible for comprehensively identifying financial and non-financial risks that might arise during business activities and for monitoring both the countermeasures taken to address these risks and the status of their implementation.

The Risk Management Office ensures the effectiveness of Group-wide risk management by receiving reports on important matters from the risk managers and confirming compliance with the regulations. The policy and regulations are periodically reviewed and approved by the Board of Directors of SBG and other bodies. The Risk Management Office quarterly reports identified risks that are material to the Group and their countermeasures to the Board of Directors and the Group Risk and Compliance Committee (GRCC), respectively. Accordingly, both governance bodies supervise the Risk Management Office. The GRCC consists of Board Directors and Corporate Officers of SBG and provides oversight of the risk management and ethics and compliance programs of the Company.

Risk management system

Risk management initiatives

The Risk Management Office works to strengthen risk management activities by identifying and addressing risks, with the aim of mitigating factors that adversely affect the Group's sustainable growth.

Identifying risks

The Risk Management Office is pursuing the following initiatives to gain a comprehensive understanding of financial and non-financial risks facing the entire Group.

Key agenda confirmation

When important matters are to be resolved by SBG's Board of Directors, the Investment Committee, and other bodies, the Risk Management Office confirms the agenda items in advance and consults with the relevant departments, if necessary. It also ensures that risk-related information that needs to be considered is reflected in the agenda.

Portfolio risk analysis

The Risk Management Office performs risk analysis over the entire Group's investment portfolio from various perspectives. For example, the Risk Management Office monitors the impacts on SBG's financial ratios that are caused by changes in the external environment such as economic and monetary policies and other political conditions. The concentration of investments in specific countries, regions, and sectors is also monitored continuously.

Risk information gathering

The Risk Management Office gathers information on various risks from the major Group companies and each department of SBG. When the risks materialize, the relevant Group companies and departments of SBG escalate the issues to the Risk Management Office in a timely manner.

Responding to risks

Based on the information gathered through the above initiatives, the Risk Management Office analyzes and assesses various risks and countermeasures. For material risks that could have a significant impact on the Group's sustainable growth, the Risk Management Office collaborates with the parties involved in each risk in order to consider countermeasures and monitor the effectiveness of such countermeasures. Material risks and the status of countermeasures are reported to and discussed by the Board of Directors and the GRCC. Based on the results of those discussions, the Risk Management Office strives to strengthen the Group's risk management system.

Message from Our Chief Risk Officer (CRO)

Supporting Sustainable Growth Through Adaptive Risk Management

1 It has been three years since you took over as CRO. Looking back, what are your reflections?

When I joined SBG in 2020, our investment business, especially SVF, was thriving and posted the highest consolidated net income ever recorded by a Japanese company. However, the situation has changed drastically since then, and a period of significant deficits followed. The composition of our holdings has also changed. In 2020, Alibaba was the cornerstone of our portfolio, but Arm, once targeted for sale to NVIDIA, went public in 2023 and is now our core holding. Throughout my tenure as an auditor, I have seen many companies, and it is hard to find a company that changes on such a scale and with such speed. In addition, as an accountant, I found it unprecedented that understanding a company required more than analyzing financial statements. Typically, I can understand the substance of a company by looking at its accounting profits and assets, but in our case, that is not enough to decipher the true nature of the company.

In this context, I became acutely aware of the complexity and importance of the Group's risk management. I began by analyzing our assets and liabilities to understand the actual situation. I then gathered information from all sources, including each division and subsidiary, to identify material risks and consider how to address them. In fiscal 2023, we made progress in shifting our holdings to an AI-centric portfolio and resumed investments aimed at moving to offense mode. Meanwhile, our business environment remains highly uncertain due to the turmoil in international affairs. I am dedicated to considering risks from all aspects and support the Company's sustainable growth.

2 How have the risks changed following the transition of the composition of holding assets?

Alibaba used to be a major holding, and SVF also had many other investments in Chinese companies, so the Risk Management Office has focused on swiftly identifying various risks, such as tightening regulations in China and its conflict with the U.S. We have reported to the Board of Directors and GRCC the percentage of our total portfolio that is invested in China and the impact on the Company if the value of our holdings were to plummet. Currently, our holding in Alibaba is virtually zero, and our Chinese investments as a percentage of total holdings have dropped. Therefore, I believe the China risk has been significantly mitigated.

However, there are new risks. Our portfolio is being transformed into a group of AI-empowered companies, with Arm at the core. Sparked by ChatGPT, AI in 2023 evolved and spread rapidly and had a significant impact on the economy and financial markets. At the same time, concerns about AI risk have also grown, and many countries and regions, including the European Union, the U.S., and Japan, are actively discussing rulemaking on the development and use of AI. In light of this, we are working to strengthen our AI governance by monitoring regulatory trends and enhancing cooperation among Group companies.

3 Are there any particular risks you are watching closely as investments are resumed?

We are focusing on strategic investments that have been gradually increasing. Unlike SVF, which is based on financial investments, these are business investments with a longer-term perspective. Therefore, we need to consider various risks, such as the possibility that a portfolio company's business might not perform well and how to manage a portfolio company that has become a subsidiary.

Currently, many of our investments are in the early stages, and the risks we need to monitor could change depending on future business developments. It is essential to understand the business situation of each company, work closely with all parties involved, and provide support as needed.

In addition, I believe it is crucial to manage existing investments in SVF. SVF has developed a strategic portfolio management policy that includes helping portfolio companies increase their corporate value through effective engagement. The Risk Management Office actively considers the impact of these efforts and continuously monitors the status.

Kiyoshi Ichimura
CRO,
Head of Risk Management Office

Risk Factors

The material risks that the Company (SBG and its subsidiaries) believes could significantly affect investors' investment decisions as of June 21, 2024 are outlined below. The materialization of these risks could have an adverse effect on:

- NAV (Net Asset Value): equity value of holdings – adjusted net interest-bearing debt*1
- LTV (Loan to Value): adjusted net interest-bearing debt ÷ equity value of holdings*1; The ratio of debt to asset holdings.
- Financial condition and results of operations
- Distributable amount of SBG

These risks do not include all the risks that the Company could face, nor is there a guarantee that measures to address such risks will be fully effective. Forward-looking statements were determined as of June 21, 2024, unless otherwise stated.

*1 See pages 20-21 for details on the calculation method of NAV and LTV.

(1) Group Overall

Under the Company's management system, the Company is engaged in a wide range of investment activities based on the investment theme of artificial intelligence (AI), with SBG, a strategic investment holding company, exercising overall control over its investment portfolio comprising SBG's subsidiaries, associates, and portfolio companies (hereinafter "portfolio companies"). The Company's material risks in the execution of its business are stated in subsections a. through c. below.

Additionally, please refer to "(2) SoftBank Vision Funds business," "(3) SoftBank business," and "(4) Arm business" for the material risks in the SoftBank Vision Funds segment, SoftBank segment, and Arm segment, respectively.

a. Investment Activities Overall

(a) Market environment

The Company invests mainly in information and technology companies that leverage AI; however, the valuation of these companies can vary significantly depending on the outlook for technological progress and market growth. Therefore, the Company's equity value of holdings may be affected by these types of sector-specific factors, in addition to macroeconomic, monetary policy, and stock market trends. In addition, private portfolio companies are also affected by trends in the venture capital and IPO markets.

Since Arm continues to be a consolidated subsidiary after its listing in September 2023, its stock price change does not affect the Company's financial condition and results of operations. However, the stock price change has a substantial effect on the Company's equity value of holdings since Arm shares represent a large portion of the Company's equity value of holdings.

Moreover, the Company may be affected by foreign exchange rate movements in connection with its ownership of foreign currency-denominated assets and liabilities.

The Company aims to conduct stable financial management to withstand the impacts of market volatility. For details, see "Message from Our CFO" on pages 16-19.

(b) International conditions and regulatory trends

The Company invests in companies and other entities that operate not only in Japan, but also in countries and regions overseas, such as the U.S., China, India, Europe, and Latin America. Therefore, due to changes in political, military, or social circumstances and to the establishment of new laws, regulations, systems and other rules (hereinafter "laws and regulations") and the strengthening thereof (including changes in interpretation and implementation) in those countries and regions, the investment activities of the Company and the business activities of portfolio companies may not develop as expected. Laws and regulations include, besides those related to investment, laws and regulations related to businesses such as AI, telecommunications services, internet advertising, e-commerce, automated driving, robotics, logistics, financial services and payments, and to other corporate business activities (including, but not limited to, laws and regulations related to business permits and licenses, economic security, import and export, personal information and privacy protection, the environment, product liability, fair competition, consumer protection, prohibition of bribery, labor management, intellectual property rights, prevention of money laundering, taxation, and foreign exchange). The investment activities of the Company and the business activities of portfolio companies are directly or indirectly affected by those laws and regulations. Recently, countries have been taking steps to implement stricter regulations from an economic security perspective, against the backdrop of factors such as the Russia-Ukraine conflict, the situation in the Middle East, and intensified U.S.-China rivalry. For example, the introduction of laws and regulations to restrict investment in specific countries or companies could constrain the Company's investment activities, as well as cause the realization of investments to be delayed or the terms and conditions for the realization of investments to deteriorate. In addition, if heightened geopolitical risk results in supply chain disruptions, or if stricter trade regulations restrict the import or export of specific products and technologies, and other items, the businesses and operating results of portfolio companies may be adversely affected.

Moreover, the investment activities of the Company may require approvals and permissions from the regulatory authorities of relevant countries, or the Company's involvement with portfolio companies may be restricted. If the necessary approvals and permissions cannot be obtained or other restrictions cannot be avoided, the Company may be unable to successfully implement its investment or divestment plans as it expects.

The Company collects information about the changes in the external environment described above and assesses the impact they may have on investment activities, while receiving advice from outside advisers. Concurrently, the Company works to address each of these regulations. In addition, the Company continuously monitors the concentration of investments in specific countries or regions, and business sectors, within its investment portfolio. By doing so, the Company identifies risks and reflects them in its management decisions.

(c) Business development of portfolio companies

The Company aims to maximize returns from a medium- to long-term perspective by making investments in information and technology companies that leverage AI. However, portfolio companies

may be unable to develop businesses as envisioned at the time of the investment decision, due to factors including the obsolescence of portfolio companies' technologies and business models, and intensified competitive environments. This may lead to a significant deterioration in business performance or a drastic revision of their business plans. Moreover, the Company may provide loans, loan guarantees, additional investment or other forms of financial support as deemed necessary to improve their shareholder value, if they are unable to develop businesses as anticipated. Providing such support could increase the Company's exposure to those portfolio companies. Nevertheless, the Company has a general policy of not making investments solely for the purpose of providing relief.

Even after making investments, the Company continuously monitors major risk factors of portfolio companies, including financial and management information, key performance indicators, differences between business plans at the time of the investment decision and actual progress, and the status of corporate governance. To address these risk factors, the Company implements measures such as providing advice and dispatching officers to improve the management of portfolio companies as necessary.

(d) Investment decisions

In the investment decision-making process, the Company may make investment decisions while misjudging the risks concerning such factors as the technology, business model, competitive environment, financial condition, compliance, and governance of an investment target, or the integrity of the founders and managers who have critical influence. In particular, the transparency, accuracy, and completeness of information on which the Company bases its investment decisions are relatively more likely to be inadequate at private companies.

In the investment decision-making process, the Company seeks to assess investment-related risks by conducting due diligence on important factors of the target, while obtaining the cooperation of, for example, outside financial, legal and tax advisers as necessary, in addition to referring to research and reviews by the relevant internal departments. Based on the results of such procedures, investment decisions are made by either the Board of Directors of SBG, the Investment Committee to which authority is delegated by the Board of Directors, or the Investment Committee of the fund management subsidiary.

b. Fund procurement

The Company utilizes a diverse range of procurement methods, such as loans from financial institutions and the issuance of bonds, as well as raising funds through asset-backed financing and selling assets.

For loans from financial institutions and bonds, if the procurement environment deteriorates due to factors such as changes in interest rates or credit rating, the Company may be unable to raise funds at the planned timing, scale, or conditions. In addition, various covenants may be attached to the debts. If these covenants are breached, the Company may forfeit the benefit of the term with respect to such obligations. Furthermore, in connection with this forfeiture, the Company may be requested to make lump-sum repayments with respect to other obligations.

For asset-backed financing (excluding prepaid forward contracts) using public equities such as Arm shares, or private equities, if the value of eligible equity holdings declines, the Company may be required to post additional cash collateral or incur prepayment obligations. The Company may also face difficulties in raising new funds and refinancing.

Regarding fundraising through the sale of asset holdings, the Company may be unable to sell assets at anticipated prices when necessary due to factors such as sluggish market liquidity, contractual restrictions on asset sales, and delays in scheduled IPOs.

To control risks related to fund procurement, the Company raises funds with timing and methods that are deemed appropriate based on careful monitoring of market conditions. In particular, when borrowing from financial institutions, issuing corporate bonds, and conducting asset-backed financing, the Company increase the stability of each type of fund procurement by conducting prior reviews and implementing measures based on various anticipated scenarios. Through these measures, the finance departments strive to maintain a sufficient cash position with financial discipline.

c. Management team

The Company's major subsidiaries and investment funds are run autonomously, the subsidiaries by their respective CEOs and other leaders, and the investment funds by the CEOs of fund operating subsidiaries described below. However, unforeseen situations with respect to Representative Director, Corporate Officer, Chairman & CEO Masayoshi Son, who plays a pivotal role in the Company's management, could impede the overall activities of the Company.

If such an unforeseen situation were to occur, the decision-making process could be affected. To minimize this impact, the Company has drawn up contingency plans. In addition, the Nominating & Compensation Committee periodically discusses succession plans.

(2) SoftBank Vision Funds business

SoftBank Vision Funds (SVF1, SVF2 and LatAm Funds, hereinafter "SVF") aim to maximize returns over the lifecycle of each of the funds by making investments in technology companies primary leveraging AI that are deemed to have high growth potential. SBG invests in these investment funds as a limited partner. Additionally, the Company's wholly owned subsidiaries who manage these funds (SBIA, which manages SVF1, as well as SBGA, which manages SVF2 and LatAm Funds, hereinafter the "Managers") are respectively entitled to receive management fees, performance-linked management fees, and performance fees, each of which is measured by reference to the investment activities of the investment funds.

The material risks at SVF and their Managers are stated in subsections a. through d. below. In this section (2), the phrase "portfolio companies" refers to the investees of SVF.

a. Business execution risks of portfolio companies

Many portfolio companies are seeking to leverage new technologies such as AI and big data to create new business models. There are various risks involved for these companies to develop their businesses as planned, earn profits, and establish a solid business foundation.

In particular, these risks include: that they may not be able to develop technologies or implement business models as expected, or provide products and services that meet customer needs and market practices; their unit economics may not be strong enough to fully cover the cost of the platform and continued investment in technological advancement; they lose out to other new entrants with the latest technologies or to incumbents with strong business foundations; they are unable to adjust themselves to their expansion into adjacent businesses or different geographies and to changes in the economic or business environment; they are not able to secure profits if the customer acquisition costs, such as advertising and sales staffing, significantly exceed their original plans; and, they are unable to respond to growing compliance complexity and/or manage the costs for privacy and AI across varying jurisdictions.

In addition, as the strategic importance of advanced technology in national security has been growing

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in recent years, and with a backdrop of a worsening relationship between the U.S. and China, it is possible that stricter regulations in various countries will be introduced, which may adversely affect the business development of the portfolio companies.

Furthermore, many portfolio companies have funding needs for business development. If the fund-raising environment deteriorates, it may not be possible to raise funds on the expected terms, resulting in the need to cut costs materially, which may impede growth, or to raise funds on terms that dilute the Company's share in the portfolio company.

At the Managers, the investment risk team plays a central role in identifying these risks early and mitigating them through the investment approval process and ongoing post-investment monitoring.

b. Lack of opportunity to exit from investments

Due to the illiquid nature of many of the investments that SVF may acquire, as well as economic, legal, political, or other factors, there can be no assurance that SVF will be able to monetize such investments as originally planned. Additionally, SVF may be prohibited by contract or other limitations from selling certain securities for a period, which may mean that SVF is unable to sell investments at favorable market prices.

Approval of an exit strategy is a key part of the Managers' Investment Committees' considerations. Exit strategies are regularly reviewed and updated by the Managers' investment teams. Exit strategies are also stress tested under various market conditions by the investment risk team to allow for forward planning. In setting up a long-term fund structure, it was anticipated that multiple economic downturns could occur and that some investments may take longer to exit than others.

c. Securities issued by public companies

SVF's investment portfolios may contain securities issued by public companies. Such asset holdings are subject to risks that include increased obligations to disclose information regarding such companies, limitations on the ability of SVF to dispose of such securities at their discretion, increased likelihood of shareholder litigation and insider trading allegations being brought against such companies' executives and board members, including employees of the Managers. In addition, there may be increased costs associated with addressing each of the aforementioned risks.

The primary mechanism employed to mitigate the market risk following a liquidity event is to follow a deliberate plan for selling down the positions to minimize the market impact and to maximize the value of the proceeds. The Managers also examine whether to hedge the foreign-exchange risk should the securities be denominated in a currency whose exchange rate relative to USD is volatile.

Additionally, the operational and compliance risks that arise while managing SVF's public securities positions are managed through an appropriate control framework spanning the Managers' operational, compliance and enterprise risk activities including, policies, staff training, whistleblower helpline, pre-trade approval processes (including the approval of trading counterparties), and post-trade reconciliations and exception monitoring.

d. Securing and retaining human resources

The Managers seek to maximize the equity value of SVF funds that they respectively manage, by carefully selecting investments and promoting growth after investment through the provision of a wide range of support. For the success of these investment activities, it is essential to secure and retain capable personnel who possess broad knowledge of technology and financial markets as well as specialized skills in managing investment businesses. A failure of the Managers to secure or retain an adequate number of capable personnel could have an adverse effect on the maintenance or expansion of the investment scale and future investment performance of the investment funds they manage.

In order to maintain their broad investment and management capabilities, the Managers provide various HR support programs and ensure the human capital in the firm has the requisite skill sets to meet business objectives. The Managers conduct a range of efforts including regularly reviewing performance, organization design, and training and development, as well as moving staff across the organization to ensure they fulfil their potential.

(3) SoftBank business

SoftBank Corp. and its subsidiaries (hereinafter the "SoftBank Corp. Group") engage in its core business of telecommunications, in addition to providing services such as Yahoo! JAPAN, LINE, and PayPay, and developing its business in various fields within the information and technology domain. The material risks at the SoftBank Corp. Group are stated in subsections a. through f. below.

a. Changes in the market environment and competition

The telecommunications-related market has seen major changes in the business environment, mainly driven by the strengthening of pro-competitive policies and new entrants from different industries, and users have also been increasingly seeking more inexpensive and varied services. In order to address the market environment described above, the SoftBank Corp. Group deploys services, products and sales methods that fit consumer preferences. However, if the SoftBank Corp. Group is unable to meet the expectations of consumers for price plans, voice and data communications quality and so forth, or if the service and products provided by the SoftBank Corp. Group have significant defects, there are no assurances that the SoftBank Corp. Group will be able to maintain its current number of subscribers. Moreover, the introduction, amendment, or change in interpretation or application of laws, regulations, systems, and so forth, could result in the effective restriction of services and products that the SoftBank Corp. Group can deliver to its customers, or of sales methods and price plans, etc., causing the SoftBank Corp. Group to experience a decline in revenue and to incur a larger financial burden.

In certain instances, the SoftBank Corp. Group's competitors may have a competitive advantage over the SoftBank Corp. Group in terms of capital, services and products, technology development capabilities, price competitiveness, customer base, sales capability, brands, public recognition, or overall capability in all of these, for example. If these competitors were to sell services and products that harness these competitive advantages to a greater extent than at present, the SoftBank Corp. Group may be placed at a disadvantage in sales competition, including price competition, may be unable to provide services and products, or acquire or retain customers, as anticipated, or may experience a decrease in Average Revenue Per User (ARPU). Furthermore, the services and products of newly established startup companies and new entrants could raise competition with the SoftBank Corp. Group's services and products. Alternatively, it may be costly for the SoftBank Corp. Group to develop the newly emergent services and products needed to demonstrate competitiveness.

The SoftBank Corp. Group may conduct internal realignment for purposes such as streamlining overlapping business resources, speeding up decision-making, and generating greater synergies among businesses. However, if the SoftBank Corp. Group is unable to sufficiently capture the expected benefits of the realignment, problems such as trouble with and delays in services to be rolled out, adverse effects on strategies and synergies, and disruptions associated with the realignment could arise.

b. Response to technology and business models

The SoftBank Corp. Group's primary business domain is the information technology industry, which is subject

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to rapid changes in technology and business models. Notably, the field of generative AI has been evolving dramatically and has significantly impacted existing business models. The SoftBank Corp. Group is constantly undertaking measures such as surveying the latest technology and market trends, conducting verification trials to introduce services with highly competitive technologies, and considering alliances with other companies. However, there are no assurances that the development of new technologies will proceed on time or results will be delivered as planned, or that common standards or specifications will be established and commercial viability will be achieved. Even if the aforementioned measures are undertaken, the SoftBank Corp. Group may be unable to develop or introduce outstanding services, technologies and business models in keeping with market trends due to the inability to appropriately adapt to changes in the market environment in a timely manner, such as the emergence of new technologies and business models, or due to the inability to deploy equipment and facilities rapidly and efficiently. In this case, the SoftBank Corp. Group's service offerings could lose competitiveness in the market, possibly curtailing the number of subscribers that the SoftBank Corp. Group is able to acquire or retain, or reducing ARPU.

c. Leakage or inappropriate use of information and inappropriate use of products and services supplied by the SoftBank Corp. Group.

In its business operations, the SoftBank Corp. Group handles customer information (including personal information) and other confidential information. The SoftBank Corp. Group strives to build a framework to protect and manage information assets appropriately, including the appointment of a Chief Information Security Officer and education and training sessions on information security for officers and employees. However, this information could be leaked, lost, or involved in a similar incident, either intentionally or accidentally by the SoftBank Corp. Group (including officers and employees of the SoftBank Corp. Group and people related to subcontractors), or through a malicious cyber-attack, hacking, computer virus infections, or other form of unauthorized access or other means by a third party.

Moreover, if the products and services supplied by the SoftBank Corp. Group are used inappropriately for crimes and so forth such as fraud and the like, it could impair public trust in the SoftBank Corp. Group and the SoftBank Corp. Group's credibility.

Such an occurrence could reduce the SoftBank Corp. Group's competitiveness, and give rise to significant costs to the SoftBank Corp. Group for payment of damages and modification of security systems, in addition to having an adverse impact on the SoftBank Corp. Group's credibility or corporate image and making it difficult to acquire or retain customers.

Furthermore, on October 1, 2023, LY Corporation completed an intra-group reorganization involving mainly Z Holdings Corporation as the surviving company and two of its core wholly owned subsidiaries, LINE Corporation and Yahoo Japan Corporation, and its trade name was changed from Z Holdings Corporation to LY Corporation. LY Corporation is working to develop and strengthen a framework to ensure the efficient and proper functioning of its group companies' overall data governance. While such efforts will be continued, if the countermeasures and measures to strengthen governance fail to function effectively, this could lead to administrative sanctions on the SoftBank Corp. Group from the authorities, impairment of public trust in the SoftBank Corp. Group, a decrease in demand for the SoftBank Corp. Group's services, the formulation and implementation of additional countermeasures, or the occurrence of data leaks.

Furthermore, LY Corporation has submitted reports concerning the incident of unauthorized access it announced on November 27, 2023 to the Ministry of Internal Affairs and Communications (MIC) and the Personal Information Protection Commission of Japan (PPC). LY Corporation received administrative guidance from MIC on March 5 and April 16, 2024, and it received a recommendation and request for a report, etc. from PPC on March 28, 2024. Currently, LY Corporation is implementing measures in response to this administrative guidance and recommendation. It submitted a report regarding measures to prevent a recurrence, etc. to MIC on April 1, 2024, and a report summarizing the implementation status of measures to prevent a recurrence to PPC on April 26, 2024, and is moving forward with these measures. However, if the measures of LY Corporation and the SoftBank Corp. are judged to be inadequate or insufficient, this could lead to impairment of trust in the SoftBank Corp. Group, a decrease in demand for the SoftBank Corp. Group's services or other such consequences. Such outcomes could have an impact on the SoftBank Corp. Group's businesses.

d. Consignment of operations

The SoftBank Corp. Group consigns in whole or part to subcontractors customer sales activities, acquisition and retention of customers, and telecommunications network construction and maintenance for various services and products, along with the execution of other related operations. In addition, the SoftBank Corp. Group's information search services make use of other companies' search engines and paid search advertising distribution systems. While the SoftBank Corp. Group strives to reduce risks in the supply chain, if these subcontractors (including their directors and employees, or related parties) are unable to execute operations in line with the SoftBank Corp. Group's expectations, or if a human rights infringement-related issue occurs, such as a case where the information of the SoftBank Corp. Group's or its customers is obtained without authorization, it could have an impact on the SoftBank Corp. Group's business.

Moreover, any damage to the credibility or corporate image of these subcontractors as a result of the kind of incident described above would also have an impact on the SoftBank Corp. Group's credibility or corporate image. Furthermore, if these subcontractors should fail to comply with laws and regulations, the SoftBank Corp. Group could receive a warning or administrative guidance from the regulatory authorities, or be investigated for non-fulfillment of its supervisory responsibility, and the SoftBank Corp. Group's credibility or corporate image could deteriorate as a result, making it difficult to acquire and retain customers.

e. Service disruptions or decline in quality due to faults in related systems and other factors

In the provision of various services by the SoftBank Corp. Group, including telecommunications networks and, systems for customers such as, Yahoo! JAPAN, LINE and PayPay, there is a possibility that a major problem could occur if the SoftBank Corp. Group were to become unable to continuously provide the services, or were to suffer a decline in the quality of the services, due to human error or serious problems with equipment or systems (including factors due to natural disasters and other unpredictable events), or cyber-attack, hacking or other form of unauthorized access or other causes by a third party. The SoftBank Corp. Group has built redundancy into its networks, along with clearly defining restoration procedures in preparation for systems faults and other incidents. In the event of a system fault or other incident, the SoftBank Corp. Group conducts restoration activities with appropriate capabilities in place, such as setting up an Incident Response Headquarters according to the scale of the incident. Even with these measures in place, the SoftBank Corp. Group may be unable to avoid disruptions of services or declines in quality. If such disruptions of services or declines in quality were to become widespread or significant time were required to restore services, the SoftBank Corp. Group's credibility or corporate image could deteriorate, making it difficult to acquire and retain customers.

f. Economic security

In accordance with the Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures (hereinafter, the "Economic Security Promotion Act"), the SoftBank

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Corp. and LY Corporation were designated as specified social infrastructure providers (core infrastructure providers) in the telecommunications business on November 16, 2023. From May 17, 2024, this new regulatory framework became effective. If the SoftBank Corp. or LY Corporation fail to comply with a national government review mandated by the Economic Security Promotion Act, the authorities may impose administrative measures against them, such as recommendations or orders for business improvement or suspension. These administrative measures may potentially cause temporary business suspensions, delays, or additional capital expenditures, as well as extra measures and costs, and impairment of public trust in the SoftBank Corp. Group. Such outcomes could have an impact on the SoftBank Corp. Group's businesses, financial position, and results of operations.

(4) Arm business

Arm's operations primarily consist of licensing semiconductor intellectual property (IP), including the design of energy-efficient microprocessors and associated technologies. Arm licenses its CPU and related technologies to semiconductor companies to design into computer chips. These chips are built into end products such as smartphones, digital TVs and electronics for cars, by systems companies. Arm's revenue includes licensing fees for Arm's technology, and royalty received on chips with Arm's products that the licensees have shipped. The material risks at Arm are stated in subsections a. through j. below.

a. Change in the industry business dynamic

Demand for Arm's technology and services is largely dependent on the semiconductor and electronics industries, which are volatile and intensely competitive. The revenue Arm generates from licensing activities is also largely dependent on the rate at which semiconductor and systems companies develop and adopt new generations of Arm's products, which is affected by the demand for these companies' chips and other products. Decreasing demand from systems companies for chips based on Arm's products would directly and adversely affect the amount of royalty revenues Arm receives.

Arm's success depends substantially on the acceptance of its products and services by semiconductor and systems companies. There are competing architectures in the market and there is no certainty that the market will continue to accept Arm's products.

The semiconductor and electronics industries have also become increasingly complex and subject to increasing design and manufacturing costs. Many of Arm's customers utilize third-party vendors for electronic design automation tools and the manufacture of their semiconductor designs. Arm works closely with those third parties to ensure that its technology is compatible with their design tools and manufacturing processes. However, if Arm fails to optimize its products appropriately or if Arm's access to such tools and processes is hampered, then Arm's products may become less desirable.

In order to mitigate against these risks, Arm's management team regularly reviews its strategy and long-term product development plans to test that Arm is developing products to meet future needs. Arm works with many partners and companies in the semiconductor and electronics industries and is well positioned to detect any change and act accordingly.

b. Competition

The market for Arm's products is intensely competitive and characterized by rapid changes in design and manufacture technologies, end-user requirements, industry standards, and new products. Arm anticipates continued challenges from current and new competitors, including established technologies, such as the x86 architecture, and free, open-source technologies, such as the RISC-V architecture.

Arm's competitors may devote greater resources to the development, promotion and sale of products and services, they may offer lower pricing and different customer engagement models, and their performance, features and product quality may be more desirable than those of Arm. Arm may therefore have to invest substantial resources to further develop its ecosystem that allows it to compete with alternative architectures. To remain competitive, Arm must continue to innovate and develop new products and services, as well as enhancements to existing products and services, in response to expressed or anticipated customer demand and market opportunities. If Arm is unable to anticipate or react to these competitive challenges, its competitive position could weaken.

Arm mitigates against these risks by working closely with leading semiconductor companies. Arm's established ecosystem includes many software and chip design engineers who understand how to build Arm-based chips and write software optimized for Arm processors. Arm invests in this ecosystem to help further reduce the total cost of developing and maintaining a portfolio of Arm-based chips.

c. Customer concentration

A significant portion of Arm's total revenue is generated from a limited number of key customers. As a result of this customer concentration, Arm is particularly susceptible to adverse developments affecting its key customers and their respective businesses.

In order to mitigate against this risk, Arm typically develops multiple processors each year, reducing the impact of a customer deciding not to move forward with Arm.

d. Fragmentation of the global market

The global market for Arm's products may be impacted by geopolitical factors. A shift towards geopolitical rivalry could lead to the fragmentation of the global semiconductor market, as certain countries want more end-to-end control of architecture, leading to increased architectural fragmentation and a reduced role for a global architecture. For Arm, this could lead to increased costs to support region specific products, reduced revenue as a result of lost investment in territories that no longer use Arm products and loss of potential markets and future licensing opportunities.

Arm mitigates against this risk by working with trade authorities to reduce the risk of any impact of new trade barriers and reviewing its strategy to ensure that it is developing products in line with the future needs of the industry.

e. Concentration on China

A significant portion of Arm's revenues are derived from Chinese semiconductor companies and original equipment manufacturers, or OEMs, and from non-Chinese semiconductor companies and OEMs that utilize Arm's products in chips and end products sold into China. A failure of Arm to maintain China-sourced revenues, access new and existing markets in China or gain traction for new business areas in China, or a loss of Arm's market share in China, could materially and adversely affect Arm's results of operations and competitive position.

China is a significant source of semiconductor industry revenues. However, the near-term growth prospects of the Chinese semiconductor industry and related industries are unclear due to the uncertain effects of trade and national security policies, continued elevated levels of indebtedness, and related policies. A prolonged downturn or slow recovery in the Chinese semiconductor industry or economy generally could materially and adversely affect Arm.

In addition, political actions including trade protection and national security policies of the U.S. and Chinese

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governments currently do and could in the future limit or prevent Arm from transacting business in China or with Chinese customers or suppliers.

Arm mitigates against these risks by ensuring that any U.S/China policy changes are kept under close review. In addition, Arm regularly reviews Arm China's*2 sales pipeline and any requests from Arm China to deviate from standard licensing contracts in order to monitor and manage developments in the Chinese market.

*2 Arm China is a joint venture between SBG's subsidiary and Chinese investors, through which Arm accesses the Chinese market.

f. Changes in business model

Arm has in the past made and may in the future make changes to its business model. Arm can provide no assurance that customers will accept these changes. In such case, Arm may not realize the anticipated financial benefits of such changes as anticipated, on the expected timeline or at all.

In addition, increases in the number or value of licenses signed in the future may not materialize in the same way or at all under a new business model and, therefore, licensing revenue and royalty revenue may be lower than expected. Further, the use of a new business model may have unexpected consequences for Arm, including making Arm's products less attractive to customers.

Arm actively considers the impact of next generation technology adopted by market participants, which might result in Arm exploring new markets and/or different solutions for existing and prospective customers. To that end, Arm has begun allocating resources and maintains dialogues with ecosystem partners to explore the viability of new products including, without limitation, new products in its IP portfolio, as well as solutions beyond individual IP designs such as compute subsystems, chiplets and complete end chip solutions. To the extent that Arm pursues entry into new markets or offerings of different solutions, such enterprise may be unsuccessful for any number of reasons. It may also result in Arm competing with certain existing customers, which may result in such customers seeking alternative architectures or products from competitors.

In order to mitigate against these risks, Arm undertakes extensive reviews in relation to its new business models, including undertaking discussions with its customers in advance of implementing key changes, in order to ensure that any risks are identified and managed appropriately.

g. Protection of IP rights

Arm's success and ability to compete depends significantly on protecting its intellectual property rights. Arm primarily relies on patent, copyright, trade secret and trademark laws, trade secret protection and contractual protections, such as confidentiality, invention assignment and license agreements with its employees, customers, partners and others to protect its intellectual property rights. The steps Arm takes to protect its intellectual property rights may be inadequate. Arm also may not be able to obtain desired patents. Arm's exposure to different legal jurisdictions may also impact its ability to exercise its contractual and other rights around intellectual property in such jurisdictions. If Arm is unable to successfully navigate the relevant legal and regulatory environment and/or enforce its intellectual property and/or contractual rights in relevant jurisdictions, its business, results of operations, financial condition and prospects could be materially and adversely impacted.

Litigation has been and may be necessary to enforce Arm's patents and other intellectual property rights. Any such litigation could be costly and would divert the attention of management and technical personnel from normal business operations.

Arm is involved in pending litigation, including but not limited to lawsuits with Qualcomm, Inc. and Qualcomm Technologies, Inc. (together "Qualcomm") and Nuvia, Inc. Arm can provide no assurances regarding the outcome of the litigation or how the litigation will affect Arm's relationship with Qualcomm, which is currently a major customer of Arm. Arm's involvement in such litigation could cause significant reputational damage in the industry, in its relationship with Qualcomm and/or other third-party partners.

Arm mitigates against these risks by closely monitoring developments in relevant jurisdictions in relation to patents, litigation trends and incidence of claims.

h. Infringement of proprietary rights

Arm has in the past been and it may in the future be subject to claims by third parties alleging infringement, misappropriation or other violation of third-party intellectual property rights. Under Arm's customer agreements, it agrees in some cases to indemnify customers if a third party files a claim asserting that its products infringe such third party's intellectual property rights. Such claims can result in costly and time-consuming litigation, require Arm to enter into royalty or licensing arrangements, subject Arm to damages or injunctions restricting the sale of its products, result in invalidation of a patent or family of patents, require Arm to refund license fees to its customers or to forgo future payments or require Arm to redesign or rebrand certain of its products.

Arm mitigates against these risks by designing and implementing its products without the use of intellectual property belonging to third parties, except under strictly maintained procedures and with the benefit of appropriate license rights.

i. Brand and reputation

Arm's brand and reputation are critical factors in its relationships with customers, employees, governments, suppliers, and other stakeholders. Arm's reputation can be impacted by catastrophic events, incidents involving unethical behavior or misconduct, product quality, security or safety issues, allegations of legal noncompliance, internal control failures, corporate governance issues, security incidents, workplace incidents, climate issues, the use of its technology for illegal or objectionable applications, marketing practices, the conduct of suppliers or representatives, and other issues that result in adverse publicity. Additionally, concerns about Arm's practices related to artificial intelligence, or AI, and machine learning, or ML, or the ultimate uses of Arm's products in conjunction with AI and ML technologies, even if unfounded, could damage Arm's reputation. If Arm fails to respond quickly and effectively to these corporate crises and other similar threats, the ensuing negative public reaction could significantly harm its brand and reputation. Arm's brand and reputation may also be damaged by the actions of third parties that are imputed to Arm, for example, through Arm China.

Arm mitigates against these risks by investing in the verification and validation of its products. Arm has rigorous quality assurance and verification and validation processes to reduce the risk of faults or bugs. Arm regularly gathers feedback from its customers and partners to determine whether the perception of Arm is changing, and ensure that corrective action can be taken early if customers are becoming less satisfied with its products or behavior.

j. Export restrictions and trade barriers

Arm's headquarters are in the U.K., and it currently operates in jurisdictions around the world, including the U.S., China, India, South Korea, Japan, Taiwan and Europe. Risks associated with these international operations include exposure to political, economic and financial conditions and expected and unexpected changes in legal and regulatory environments.

Arm is subject to governmental export and import requirements that could subject Arm to liability or restrict

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its ability to license its products. If the U.S. Department of Commerce were to broaden U.S. export restrictions on foreign-origin items, this could subject more of Arm's products to U.S. export controls and restrictions. Furthermore, if the U.S. Government implemented expanded economic sanctions on specific countries or regions where certain customers and trading partners are based, that could impact Arm's freedom to license its products to designated countries or entities.

Trade relations between countries where Arm does business or where Arm's customers have end customers have recently been volatile, and the U.S. government has imposed export sanctions on certain of Arm's trading partners and entities. These measures may increase costs and/or reduce distribution in key markets.

Arm mitigates against these risks by maintaining strong relationships with the U.S., U.K. and EU export control authorities in order to effectively monitor any policy and regulatory developments.

(5) Others

a. Compliance

The Company conducts investment activities pursuant to laws and regulations in each country. If the Company and its portfolio companies (including officers and employees) conduct activities in breach of those laws and regulations, regardless of whether they were aware of the breach or not, the Company and its portfolio companies may be subject to administrative sanctions or legal measures. As a result, the credibility and corporate image of the Company and its portfolio companies may be impaired, their contracts may be canceled by business partners, or a financial burden may be incurred. Furthermore, in countries and regions in which the Company and its portfolio companies conduct business activities, tax laws and regulations may be newly introduced or amended, or their interpretation or enforcement may be revised, leading to additional tax burdens. Views differing with those of tax authorities may also give rise to additional tax burdens.

The Company has established the SoftBank Group Code of Conduct, which applies to all officers and employees, in order to go beyond compliance with laws and regulations and conduct corporate activities based on a high ethical standard. The Company also works to strengthen the Group compliance structure and carries out activities to increase the knowledge and awareness of officers and employees, such as training. In addition, the legal departments collect information on new or revised laws and regulations, while receiving advice from outside advisers.

b. Intellectual property

Infringement of SBG's SoftBank brand by a third party could impair the corporate image or credibility of SBG and subsidiaries that employ the SoftBank brand. Additionally, infringement of the intellectual property of subsidiaries and portfolio companies by a third party could have a negative impact on these companies' business development and results of operations. On the other hand, if the Company and its portfolio companies were to unintentionally infringe on intellectual property rights held by a third party, the Company and such portfolio companies may be prevented from using the intellectual property or subjected to claims for compensatory damages, license fees, and so forth from the third party.

In light of the importance of SBG's brands in supporting sustained business growth, SBG strives to strategically obtain trademarks worldwide, while evaluating the intellectual property activities and strategies of subsidiaries and forming intellectual property partnerships with them. Through these and other efforts, SBG aims to protect and utilize intellectual property throughout the Group as a holding company.

c. Litigation

The Company faces the possibility of lawsuits by third parties claiming compensatory damages for the alleged infringement of rights or benefits. These third parties may comprise shareholders, portfolio companies, business partners, and employees (including current and past shareholders and employees of portfolio companies). Such lawsuits could hinder the Company's investment activities or may impair the Company's corporate image, as well as create a financial burden.

d. Sustainability

The Company believes that it is crucial to take the lead and implement essential activities to address sustainability. However, the Company's sustainability activities may diverge significantly from the expectations of internal and external stakeholders, including investors; for example, investors may judge that sustainability factors are not sufficiently integrated into the Company's governance structure and management strategy, or that the Company's measures are inadequate for addressing identified material issues related to sustainability, especially issues with higher priorities such as responsible AI, climate change, or human capital. In these cases, the Company's evaluation by stakeholders may deteriorate and adversely affect its investment and financing activities.

In addition, the Company may be unable to adequately assess the risks and opportunities associated with the sustainability aspects of portfolio companies. In these cases, portfolio companies may be unable to develop their businesses as expected by the Company. Additionally, if sustainability-related regulations over the Company's investment activities and its portfolio companies' business activities are tightened, the pace of investment may slow down or the cost to address such regulations may increase.

The SoftBank Corp. Group has a Sustainability Committee, which is chaired by the Chief Sustainability Officer ("CSusO") appointed by the Board of Directors. The Sustainability Committee regularly discusses sustainability-related issues and countermeasures, along with strengthening sustainability-related response measures and disclosures. In investment activities, each investment entity analyzes the risks and opportunities associated with the sustainability aspects of portfolio companies and carries out comprehensive investment evaluations.

e. Information security

Amid the rising threat of cyber-attacks around the world in response to recent international conditions, the Company and its portfolio companies may be unable to completely prevent cyber-attacks, hacking, computer virus infections, or other forms of unauthorized access or internal misconduct. The inability to prevent such events could lead to the leakage, alteration, or loss of information, or cause other such security incidents. Such occurrences may impair the credibility and corporate image of the Company and its portfolio companies and may hinder their business activities. The Company and its portfolio companies may also incur financial losses or additional cost outlays or other responses may be needed to address such occurrences.

The Chief Information Security Officer (CISO), who is appointed by the Board of Directors, is responsible for the information security of the Company. Under the leadership of the CISO of SBG, the Company endeavors to protect information assets by identifying vulnerabilities and risk factors that could threaten information security and by implementing information security measures focused on organizational, physical, technical, and human dimensions according to risk.