July 18, 2016
SoftBank Group Corp.

# Recommended Acquisition of ARM by SoftBank

SoftBank Group Corp. ("SBG") and ARM Holdings plc ("ARM") of the United Kingdom are pleased to announce that on July 18, 2016 (GMT) they reached agreement on the terms of a recommended all cash acquisition of the entire issued and to be issued share capital of ARM by SBG, under which SBG will acquire 1,412 million shares of ARM with a total acquisition price amounting to approximately GBP 24.0 billion (approximately USD 31.0 billion or JPY 3.3 trillion) by means of a court-sanctioned scheme of arrangement (the "Acquisition"). Please note that SBG has also made an announcement as required under the UK Takeover Code in the UK; a copy of this announcement is available on the SBG website at www.softbank.jp/en/.

The Acquisition, which has been approved at a meeting of SBG's Board of Directors, is subject to the approval of ARM's shareholders and of the English court. ARM's Board of Directors has unanimously confirmed that it intends to recommend the Acquisition to ARM's shareholders.

The companies expect the closing of the Acquisition to occur as soon as practicable in the third calendar quarter 2016 (the period ending September 30, 2016). As a result of the Acquisition, ARM will become a wholly-owned subsidiary of SBG.

## 1. Acquisition Background and Rationale

SBG believes ARM is one of the world's leading technology companies, with strong capabilities in global semiconductor intellectual property and the "Internet of Things", and a proven track record of innovation.

The board and management of SBG have evaluated ARM in detail and after careful consideration unanimously support this transaction. The board and management of SBG believe that the acquisition of ARM by SBG will deliver the following benefits:

- *Support and accelerate ARM's position as the global leader in intellectual property licensing and R&D outsourcing for semiconductor companies*

  SBG's deep industry expertise and global network of relationships will accelerate adoption of ARM's intellectual property across existing and new markets.

- *Maintain ARM's dedication to innovation*

  SBG intends to sustain ARM's long-term focus on generating more value per device, and driving licensing wins and future royalty streams in new growth categories, specifically "Enterprise and Embedded Intelligence."

- *Increased investment to drive the next wave of innovation*

  SBG intends to support ARM's multiple growth initiatives by investing in engineering talent and complementary acquisitions with the aim of ensuring ARM maintains a R&D edge over existing and emerging competitors. SBG believes such an investment strategy in long-term growth will be easier to execute as a non-listed company.

- *Shared culture and long-term vision*

  SBG believes the two companies share the same technology-oriented culture, long-term vision, focus on innovation and commitment to attracting, developing and retaining top talent. These common values will be the foundation for the strong strategic partnership necessary to capture the significant opportunities ahead.

- *Maintain and grow the UK's leadership in science and technology*

  SBG is investing in the UK as a world leader in science and technology development and innovation and, as evidence of this, intends to invest in multiple ARM growth initiatives, at least doubling the number of ARM employees in the UK over the next five years.

**2. Acquisition Terms**

Under the terms of the Acquisition, each ARM shareholder will be entitled to receive 1,700 pence in cash for each ARM share.

The consideration values the entire existing issued and to be issued share capital of ARM at approximately GBP 24.3 billion.

In addition, ARM Shareholders who are on the register of members of ARM as at close of business on 8 September 2016, or at close of business on the Business Day prior to the effective date of the scheme of arrangement if earlier, will be entitled to receive and retain an interim dividend of 3.78 pence per ARM Share, which dividend will be paid on 10 October 2016 or, if earlier, the effective date (the "Dividend"), without any reduction of the offer consideration payable under the Acquisition. In addition, ARM Shareholders will also be entitled to receive and retain any future dividends in the ordinary course with a record date prior to the effective date ("Ordinary Course Dividends"), without any reduction of the offer consideration payable under the Acquisition. In particular, those ARM Shareholders who are on the register of members of ARM as at close of business on 20 April 2017 (being the record date for the 2016 final dividend) will be entitled to receive and retain the 2016 final dividend for the period to 31 December 2016 of up to 6.76 pence per ARM Share that is expected to be paid on 11 May 2017. If the effective date occurs before the record date of any Ordinary Course Dividend, ARM Shareholders will not be entitled to receive such dividend.

If, after the date of this Announcement, any dividend and/or other distribution and/or other return of capital (other than the Dividend and any Ordinary Course Dividends) is announced, declared or paid in respect of the ARM Shares, SBG reserves the right to reduce the offer consideration by an amount up to the amount of such dividend and/or distribution and/or return of capital so announced, declared or paid.

The price of 1,700 pence per ARM share represents a premium of:

- approximately 43.0 per cent. to the closing price of 1,189 pence per ARM Share, and approximately 42.9 per cent. to the closing price per ARM ADR of USD 47.08, on 15 July 2016 (being the last Business Day prior to this Announcement);

- approximately 69.3 per cent. to the volume weighted average closing price of approximately 1,004 pence per ARM Share, and approximately 58.7 per cent. to the volume weighted average closing price per ARM ADR of USD 42.39, over the

three months prior to and including 15 July 2016 (being the last Business Day prior to this Announcement); and

- approximately 41.1 per cent. to the all-time high closing price of 1,205 pence per ARM Share on 16 March 2015.

**3. Acquisition Procedure**

SBG and ARM intend to implement the Acquisition through a "scheme of arrangement" pursuant to English law. A scheme of arrangement is an acquisition method under which the Acquisition becomes effective upon the approval of ARM's shareholders (as further detailed below) as well as the English court. However, SBG shall be entitled to implement the Acquisition by way of a takeover offer rather than the scheme: (i) while the Co-operation Agreement continues, with the consent of the Takeover Panel (an independent regulatory body that regulates takeovers) and with the prior written consent of ARM; or (ii) after the termination of the Co-operation Agreement, with the consent of the Takeover Panel only.

The terms of the Acquisition will be submitted to ARM's shareholders. In order to become effective, the scheme of arrangement must be approved by a majority in number, representing at least 75 per cent. in nominal value, of the relevant shares held by the shareholders present and voting in person or by proxy at the ARM shareholders meeting to be convened by the English court. Any ARM shares owned by SBG or any subsidiary undertaking of SBG will be excluded from the voting.

**4. Recommendation**

The Board of ARM, which has been so advised by Goldman Sachs International and Lazard & Co., Limited as to the financial terms of the Acquisition, considers the terms of the Acquisition to be fair and reasonable.

Accordingly, the ARM Directors have confirmed that they intend unanimously to recommend that ARM shareholders vote to approve the Acquisition.

**5. Directors' Irrevocable Undertakings**

SBG has received irrevocable undertakings to vote in favour of the Acquisition from those ARM Directors who hold ARM shares in respect of their own ARM shares (amounting, in aggregate, to 1,976,897 ARM shares). Such ARM Directors have also each undertaken that, if the Acquisition is implemented by means of a takeover offer instead of by way of the scheme of arrangement, they shall accept such takeover offer in respect of their ARM shares.

**6. Schedule Regarding the Acquisition**

SBG expects the closing of the Acquisition to occur as soon as practicable in the third calendar quarter 2016 (the period ending September 30, 2016), subject to the receipt of the required court and shareholder approvals. SBG will promptly announce the specific dates for the procedures of the transaction once they are decided.

**7. Financing**

Part of the consideration payable under the Acquisition is being financed by debt to be provided under an up to JPY 1.0 trillion facility arranged by Mizuho Bank, Ltd. pursuant to a term loan agreement entered into between SBG and Mizuho Bank, Ltd. dated July 15, 2016. The balance of the consideration will be funded from SBG's existing cash resources. SBG plans to refinance these funds with various long-term financings. SBG does not intend to raise equity finance for this purpose.

## 8. Management Quotes

Masayoshi Son, Chairman and CEO of SBG, said: "We have long admired ARM as a world renowned and highly respected technology company that is by some distance the market-leader in its field. ARM will be an excellent strategic fit within the SoftBank group as we invest to capture the very significant opportunities provided by the "Internet of Things".

"This investment also marks our strong commitment to the UK and the competitive advantage provided by the deep pool of science and technology talent in Cambridge. As an integral part of the transaction, we intend to at least double the number of employees employed by ARM in the UK over the next five years.

"SoftBank intends to invest in ARM, support its management team, accelerate its strategy and allow it to fully realise its potential beyond what is possible as a publicly listed company. It is also intended that ARM will remain an independent business within SoftBank, and continue to be headquartered in Cambridge, UK.

"This is one of the most important acquisitions we have ever made, and I expect ARM to be a key pillar of SoftBank's growth strategy going forward."

Stuart Chambers, Chairman of ARM, said: "It is the view of the Board that this is a compelling offer for ARM Shareholders, which secures the delivery of future value today and in cash. The Board of ARM is reassured that ARM will remain a very significant UK business and will continue to play a key role in the development of new technology. SoftBank has given assurances that it will invest considerably in the business, including doubling the UK headcount over the next five years and maintaining ARM's unique culture and business model. ARM is an outstanding company with an exceptional track record of growth. The Board believes that by accessing all the resources that SoftBank has to offer, ARM will be able to further accelerate the use of ARM-based technology wherever computing happens."

## 9. Advisors

The Raine Group, Robey Warshaw LLP and Mizuho Securities Co., Ltd. are acting as financial advisers to SBG. Morrison & Foerster LLP and Freshfields Bruckhaus Deringer LLP are retained as legal advisers to SBG.

## 10. About ARM

| | | |
|---|---|---|
| (1) Name | ARM Holdings plc | |
| (2) Address | 110 Fulbourn Road, Cambridge CB1 9NJ, United Kingdom | |
| (3) Name and title of representative | Simon Segars, Chief Executive Officer | |
| (4) Nature of business | Design of microprocessors, physical intellectual property and related technology and software, sale of development tools | |
| (5) Share capital | GBP 0.7 million | |
| (6) Founded | October 16, 1990 | |
| (7) Major shareholders and their holdings | Baillie Gifford & Co. 10.0%<br>BlackRock Institutional Trust Company, N.A. 5.3%<br>Thornburg Investment Management, Inc. 5.0% | |
| (8) Relations between SBG and ARM | Capital | SBG owns 1.42% of ARM shares. |
| | Personnel | None |
| | Business | None |
| (9) ARM's consolidated operating results and financial position in the past three years (IFRS) | | |

| | Fiscal year ended Dec. 2013 | Fiscal year ended Dec. 2014 | Fiscal year ended Dec.2015 |
|---|---|---|---|
| Revenue | 714.6 | 795.2 | 968.3 |
| Profit from operations | 153.5 | 309.0 | 406.1 |
| Profit for the year | 104.8 | 255.4 | 339.7 |
| Net assets | 1,311.4 | 1,528.3 | 1,797.6 |
| Total assets | 1,638.4 | 1,837.2 | 2,120.2 |
| Basic EPS (pence) | 7.5 | 18.2 | 24.1 |
| Dividend per share (pence) | 5.7 | 7.02 | 8.78 |

Unit: million GBP (excluding basic EPS and dividend per share)

ARM's shares are admitted to trading on the main market of the London Stock Exchange. ARM has an ADR program, with each ADR evidencing one ARM ADS, which represents three underlying ARM shares. ARM's ADSs trade on the NASDAQ Global Select Market.

**11. Number of Shares to be Acquired, Acquisition Price and State of Share Ownership Before and After the Acquisition**

| | |
|---|---|
| (1) Number of shares held before the Acquisition | 20,381,355 shares<br>(number of voting rights: 20,381,355)<br>(voting ratio: 1.42%)[*1] |
| (2) Number of shares to be acquired | 1,411,740,071 shares[*1]<br>(number of voting rights: 1,411,740,071) |
| (3) Acquisition price | Total amount invested: approx. GBP 24.0 billion<br>(approx. USD 31.0 billion or JPY 3.3 trillion)<br>Advisory fees, etc.: TBD |
| (4) Number of shares held after the Acquisition | 1,432,121,426 shares<br>(number of voting rights: 1,432,121,426)<br>(voting ratio: 100%) |

SBG will announce the (approximate) amount of advisory fees, etc. once the estimate becomes clear.

*1 Based on ARM's fully-diluted shares (as of the date hereof). The same applies to the number of ARM shares and percentage interests set forth below.

**12. Future Outlook**

SBG will announce the specific dates for the procedures of the Acquisition and the impact on the financial results once they are verified.

(Reference) Consolidated financial results forecast for the fiscal year ending March 2017 (as disclosed in May 10, 2016) and actual for the fiscal year ended March 2016

| | Net sales | Operating income | Net income attributable to owners of the parent |
|---|---|---|---|
| Forecast for the fiscal year ending March 2017 | Millions of yen<br>- | Millions of yen<br>- | Millions of yen<br>- |
| Actual for the fiscal year ended March 2016[*2] | Millions of yen<br>9,153,549 | Millions of yen<br>999,488 | Millions of yen<br>474,172 |

Currently it is difficult to provide forecasts on the results in figures due to a large number of uncertain factors affecting earnings. SBG will announce its forecasts on consolidated results of operations when it becomes possible to make a rational projection.

*2 SBG's consolidated net sales and operating income for the fiscal year ended March 2016 are presented based on figures from continuing operations and they exclude the figures from discontinued operations.

**Overseas Jurisdictions**

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**Forward-looking Statements**

This document (including information incorporated by reference in this document), oral statements made regarding the Acquisition, and other information published by SBG and ARM contain statements which are, or may be deemed to be, "forward-looking statements." Such forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and on numerous assumptions regarding the business strategies and the environment in which SBG or ARM will operate in the future and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied by those statements. The forward-looking statements contained in this document relate to SBG's or ARM's future prospects, developments and business strategies, the expected timing and scope of the Acquisition and other statements other than historical facts. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "plans", "prepares", "anticipates", "expects", "is expected to", "is subject to", "budget", "scheduled", "forecasts", "intends", "may", "will" or "should" or their negatives or other variations or comparable terminology. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. If any one or more of these risks or uncertainties materialises or if any one or more of the assumptions prove incorrect, actual results may differ materially from those expected, estimated or projected. Such forward-looking statements should therefore be construed in the light of such factors. Neither SBG nor ARM, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur. Given these risks and uncertainties, potential investors should not place any reliance on forward-looking statements. The forward-looking statements speak only at the date of this document. SBG and ARM expressly disclaim any obligation to update such statements other than as required by law or by the rules of any competent regulatory authority, whether as a result of new information, future events or otherwise.