November 6, 2019
SoftBank Group Corp.

Recognition of Loss on Valuation of Shares of Subsidiaries and Associates (as Special Loss) in Non-consolidated Financial Statements

SoftBank Group Corp. ("SBG") announced today that it expects to recognize loss on valuation of shares of subsidiaries and associates of JPY 497.7 billion as special loss in its non-consolidated financial statements (Japan GAAP) for the fiscal year ending March 2020 as follows.

1. Outline of loss on valuation of shares of subsidiaries and associates

SB WW Holdings (Cayman) Limited ("SB WW"), a wholly owned subsidiary of SBG, has invested $4.5 billion in The We Company ("WeWork"), which operates co-working space service "WeWork," as of September 30, 2019. The investment consists of common stock and several series of preferred stock.*

WeWork submitted a Form S-1 (securities registration statement) to the U.S. Securities and Exchange Commission on August 14, 2019 (ET), aiming for a public offering. On September 30, 2019, however, it decided to postpone the offering to concentrate on its core business and withdrew the filing. In accordance with this decision, WeWork's business plan was revised significantly, and on October 22, 2019 (ET) SBG and WeWork reached an agreement under which SBG commits to provide significant funding to WeWork, as announced in "Significant Funding to WeWork" dated October 23, 2019.

As a result of these changes, the fair value of WeWork's entire equity decreased to $7.8 billion as of September 30, 2019. Consequently, SBG expects to recognize a loss of JPY 497.7 billion on valuation of shares of subsidiaries and associates relating to SB WW, as special loss in its non-consolidated financial statements (Japan GAAP) for the fiscal year ending March 2020. The loss represents the difference between the net asset value of SB WW, which has reflected the fair value of WeWork as of September 30, 2019, and the carrying amount (acquisition cost) of SB WW at SBG.

* Separately from the above, SB WW had owned warrants (an unexecuted commitment of $1.5 billion) that would be converted into preferred stock. The warrant was executed on October 30, 2019.

2. Impact on SBG's consolidated financial results

Both SB WW and SoftBank Vision Fund have invested in WeWork, and SoftBank Vision Fund also has invested in WeWork's three affiliated companies. For losses related to these investments on SBG's consolidated financial results, refer to its "Consolidated Financial Report For the Six-month Period Ended September 30, 2019" announced today.

3. Others

On October 22, 2019 (ET) SBG and WeWork reached an agreement under which SBG commits to provide significant funding to WeWork, as announced by SBG in "Significant Funding to WeWork" dated October 23, 2019. The agreement includes the following:

(1) Existing Payment Obligation: Execution of SBG's April 2020 $1.5 billion payment obligation in warrants (funding commitment) at $11.60 per share (executed on October 30, 2019);

(2) Tender Offer: Launch of a tender offer worth up to $3 billion to all shareholders other than SBG at a price of $19.19 per share, expected to commence by December 31, 2019, with closing subject to regulatory approvals and other customary closing conditions;

(3) New Debt: Consisting of $1.1 billion in senior secured notes, $2.2 billion in unsecured notes, and a $1.75 billion letter of credit facility. This funding is expected to occur after the completion of the tender offer; and

(4) Joint Venture Share Swap: All of SoftBank Vision Fund's interests in regional joint ventures outside of the Japan joint venture will be exchanged for shares in WeWork at $11.60 per share.

SBG will announce the impacts from these events on its non-consolidated financial results as necessary, once they become certain.