

## **Monetization of Subsidiary (Supercell) Shares**

SoftBank Group Corp. ("SBG") today announced that certain of its subsidiaries, Kahon 3 Oy and SoftBank Group Capital Limited (collectively, "SBG's Two Subsidiaries"), have entered into a definitive agreement with Tencent Holdings Limited ("Tencent") and its affiliate (the "Buyer"), Supercell Oy ("Supercell" or the "Company"), and other parties whereby SBG's Two Subsidiaries will sell all of their 72.2% stake (on a diluted basis<sup>1</sup>) in Supercell to the Buyer for expected aggregate cash consideration of approximately USD 7.3 billion<sup>2</sup> (approximately JPY 770 billion<sup>3</sup>) (the "Transaction"). In addition, SBG's Two Subsidiaries will receive a dividend of approximately USD 0.4 billion (approximately JPY 43 billion) from Supercell prior to closing of the transaction.

Following the closing, Tencent is anticipated to syndicate its interests in the Buyer, but, under the terms of the agreement, completion of the transaction is not dependent on such syndication. Upon transfer of the shares, Supercell will no longer be a subsidiary of SBG and will no longer be consolidated into SBG's financial results.

The implied valuation for 100% of Supercell's equity is approximately USD 10.2 billion<sup>2</sup> (approximately JPY 1.1 trillion). Total returns to SBG's investment through SBG's Two Subsidiaries, including dividends received during ownership, amount to approximately USD 8.4 billion (approximately JPY 880 billion), representing 2.9x capital invested and 93% IRR.

\*1 Percentage interest as of May 15, 2016 calculated based on the aggregate number of (i) outstanding Company shares, (ii) vested and unvested Company options to purchase shares and vested and unvested restricted stock units ("RSUs") and (iii) RSUs available for grant pursuant to the Company's current equity incentive plans (excluding conversion options held by SBG's subsidiary). The same applies to the percentage interests set forth below.

\*2 The final purchase price payable to SBG's Two Subsidiaries will be calculated as of the closing of the Transaction based upon their percentage interest (as described in footnote 1) of Company equity value representing (i) the Supercell enterprise value of approximately USD 9.5 billion, plus (ii) the net cash balance of Supercell and its subsidiaries, minus (iii) any unpaid Supercell transaction expenses. The same applies below.

\*3 Converted at USD = JPY 104.69 as of June 20, 2016. The same applies to the conversions below.

### **1. Purpose of the Transaction**

Tencent is a leading Internet value added services provider headquartered in China, and provides its users with a diversified range of services including social communication, PC and smart phone games, online news as well as video and music streaming contents. Supercell is a mobile game company headquartered in Finland, which became SBG's subsidiary at the end of October 2013.

SBG's decision to sell its stake in Supercell is driven by its continued focus on disciplined capital

allocation, including further deleveraging, as part of its SoftBank 2.0 transformation strategy.

## 2. Summary of the Transaction

SBG's Two Subsidiaries will divest their entire 72.2% stake (on a diluted basis<sup>1</sup>) in Supercell to the Buyer for aggregate cash consideration of approximately USD 7.3 billion (approximately JPY 770 billion) (the "Sale Price"), based on an assumed equity value of Supercell of approximately USD 10.2 billion (approximately JPY 1.1 trillion). The proceeds from the sale will be realized in three payments following the schedule set forth below:

- First payment (August 5, 2016 (expected)): Estimated 48% of Sale Price
- Second payment (November 3, 2016 (expected)): Estimated 50% of Sale Price
- Third payment (August 5, 2019 (expected)): Estimated 2% of Sale Price

The transfer of shares is expected to occur on August 5, 2016, with half of the shares being kept in an escrow account until the time SBG's Two Subsidiaries receive the abovementioned second payment of the Sale Price.

Separately, SBG's Two Subsidiaries (along with other existing Supercell stockholders) are expected to receive a dividend payment prior to the date on which the Supercell shares are transferred which, together with other dividend payments received thus far from Supercell, is expected to bring the aggregate amount of dividend payments received to approximately USD 1.1 billion (approximately JPY 110 billion).

## 3. About Supercell

(1) Name	Supercell Oy
(2) Headquarters	Itämerenkatu 11-13 00180 Helsinki Finland
(3) Name and title of representative	CEO Ilkka Paananen
(4) Nature of business	Production and distribution of mobile game applications
(5) Common stock	EUR 3,000
(6) Established	May 2010

## 4. About Tencent

(1) Name	Tencent Holdings Limited
(2) Headquarters	Kejizhongyi Avenue, Hi-tech Park Nanshan District, Shenzhen, The PRC
(3) Name and title of representative	CEO Ma Huateng
(4) Established	November 1998

## 5. SBG's Ownership in Supercell Before and After the Transaction (Including Indirect Ownership)

Ownership before the Transaction	72.2% (diluted basis)
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Ownership after the Transaction	0%
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## 6. Expected Impact on Consolidated Financial Results

Upon transfer of the shares (August 5, 2016), Supercell will no longer qualify as a subsidiary of SBG and will no longer be consolidated into SBG's financial results. Preceding this, in accordance with the fact that a definitive agreement for the sale of Supercell shares was executed on June 21, 2016, assets and liabilities of Supercell will appear as assets and liabilities held for sale on SBG's consolidated financial statements for the three-month period ending June 30, 2016. Supercell's net income and loss from April 1, 2016 until the date of the share transfer will appear as discontinued operations, separate from continuing operations.

Net income/loss of Supercell for the fiscal year ended March 31, 2016 will also be revised retroactively, to appear under discontinued operations.

SBG will separately announce the gain from sales of shares in Supercell once it is determined following the completion of the calculation of the carrying amount of Supercell on a consolidated basis as of the time of sale. However, SBG currently expects to record around JPY 600 billion of pre-tax gain under discontinued operations on its consolidated statements of income for the fiscal year ending March 31, 2017.

## 7. Schedule

Execution of definitive agreement	June 21, 2016
Transfer of shares and receipt of first payment (estimated 48% of Sale Price)	August 5, 2016 (expected)
Receipt of second payment (estimated 50% of Sale Price)	November 3, 2016 (expected)
Receipt of third payment (estimated 2% of Sale Price)	August 5, 2019 (expected)

Note:

Among the shares to be sold by SBG's Two Subsidiaries, half of them will be kept in an escrow account after the date of share transfer, until the time SBG's Two Subsidiaries receive the abovementioned second payment of the Sale Price.

## 8. Management Quotes

Masayoshi Son, Chairman and CEO of SoftBank Group Corp., said: "We have enjoyed an outstanding relationship with Ilkka and the Supercell team, and it has been our privilege to be part of Supercell's incredible growth story. Over the life of our investment, Supercell has operated as an independent company, and its unique culture of independent teams has proven itself repeatedly. I have great respect for Tencent and its leadership in games, and believe that

with its commitment to respect Supercell's independence, Tencent represents the ideal partner to take Supercell's business to the next level. Our decision to divest our shares is driven by our continued focus on monetization for the benefit of our shareholders and on capital structure discipline, both key pillars of our SoftBank 2.0 strategy."

Ilkka Paananen, CEO of Supercell, said: "Today is about chasing a future for Supercell that we have always dreamed of. We founded Supercell to make great games that people all over the world would play for decades and become part of the rich history of games. We've made excellent progress - over the past six years, we've created four top games that are now played by over 100 million people every single day. Tencent's investment secures what has made all of this possible, which is our independence and unique culture of small and independent teams. We want Supercell to be the world's best place for creative people to create games. At the same time, this new partnership offers us exciting growth opportunities in China, where we will be able to reach hundreds of millions of new gamers via Tencent's channels." Read more thoughts from Ilkka on the transaction: <http://supercell.com/en/nextchapter/>.

Martin Lau, President of Tencent, said: "Supercell is known for its creativity, focus on player experience, and unique culture, which have enabled it to create innovative mobile games that are wildly popular globally. Tencent is dedicated to building long-term strategic partnerships with leading game companies. We are excited that Supercell is joining our global network of game partners, and will preserve their independence and enhance their advantages, thus bringing even more exciting gaming experiences to players around the world. It is important to us that Supercell stays true to its roots by sustaining its unique culture, continuing to be headquartered in Finland, and representing its home proudly."