ARM

A subsidiary of SoftBank

Q2 2016 Roadshow Slides

ARM Introduction

- Global leader in the development of licensable technology
  - R&D outsourcing for semiconductor companies
- Innovative business model yields high margins
  - Upfront licence fee – flexible licensing models
  - Ongoing royalties – typically based on a percentage of chip price
  - Technology reused across multiple applications
- Long-term, secular growth markets

~1,400 licences
Growing by >120 every year

15.1 bn ARM-based chips in 2015

~15% CAGR over previous 5 years

~450 potential royalty payers
Industry leaders and high-growth start-ups; chip companies and OEMs

ARM's Strategy

- Maintain or gain share in long-term growth markets
  - From mobile phones to networking infrastructure and servers to embedded smart devices and automotive
- Increase value of ARM technology per smart device
  - Invest in developing more advanced processors with higher royalty rates
  - Physical IP and multimedia IP further increase ARM's value per chip
- Explore and exploit new opportunities in emerging applications created by the Internet of Things
- Invest to create a sustainable business, fit for the long term
  - Create superior returns by developing new technology that will deliver increased profitability and cash generation

ARM

History of ARM

Joint venture between Acorn Computers and Apple

1990

Designed into first mobile phones and then smartphones

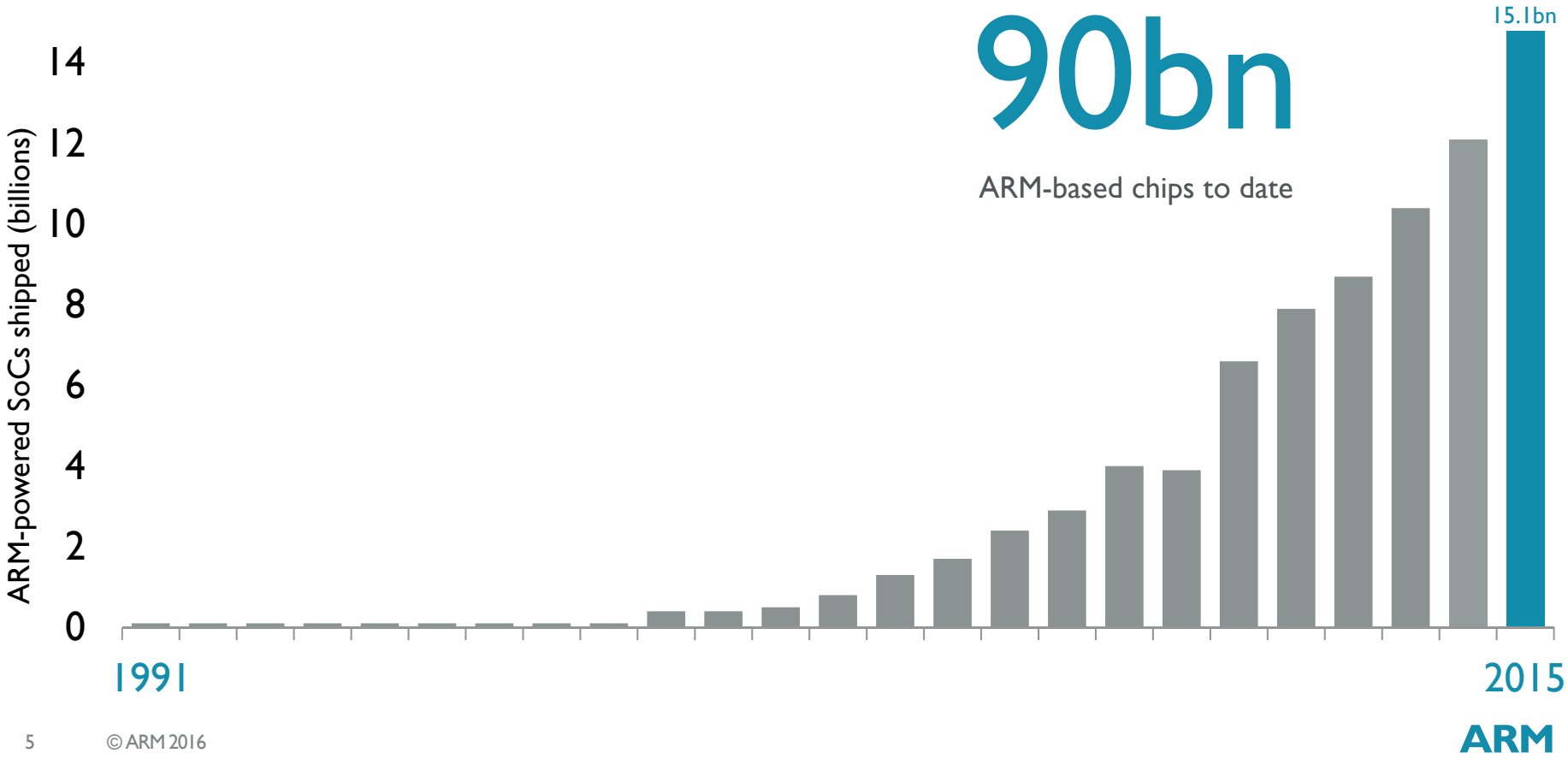
1993 onwards

Now all electronic devices can use smart ARM technology

Today

ARM

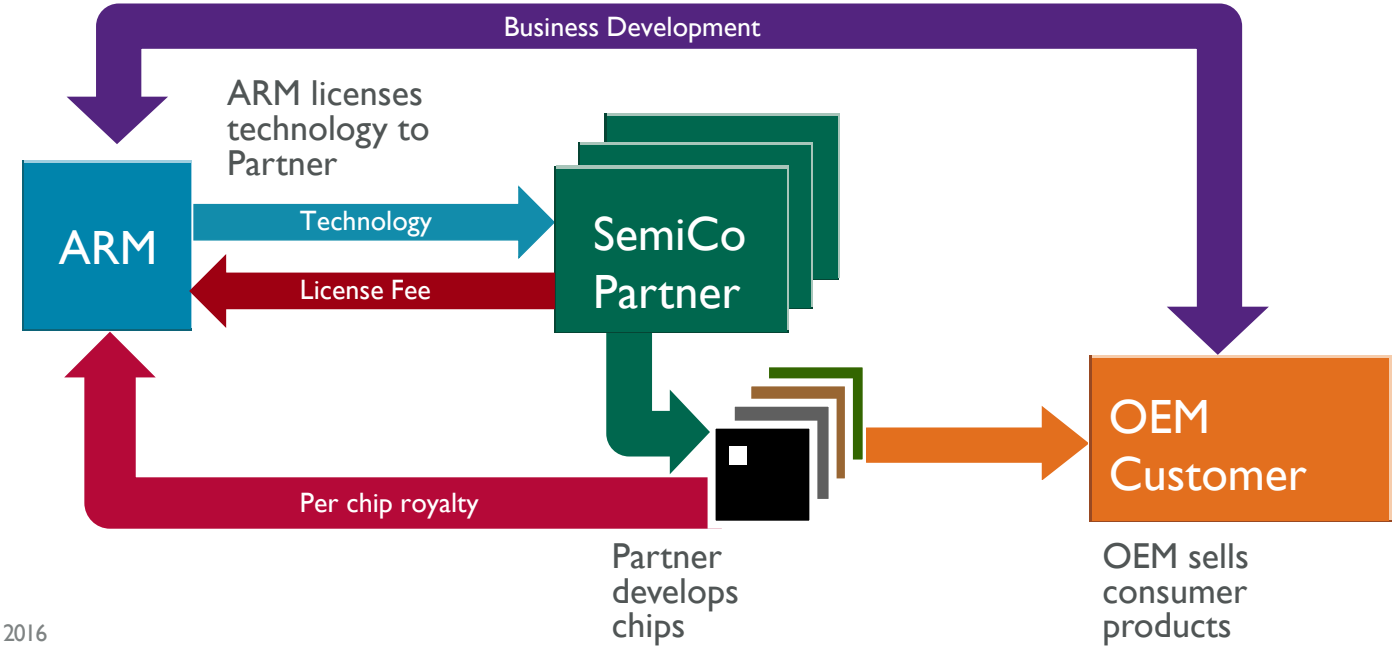
ARM-based chip shipments



ARM

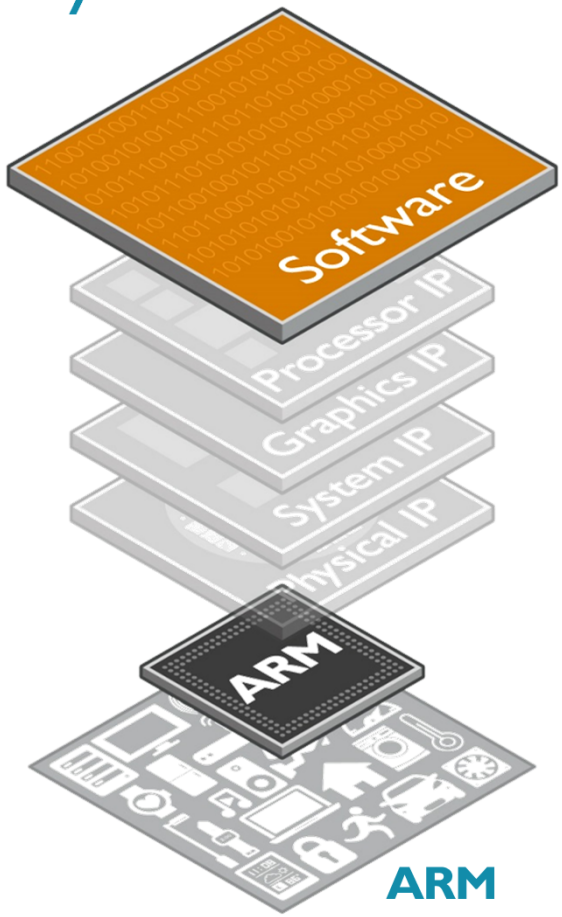
ARM Business Model

- ARM develops technology that is licensed to semiconductor companies
- ARM receives an upfront license fee and a royalty on every chip that contains its technology



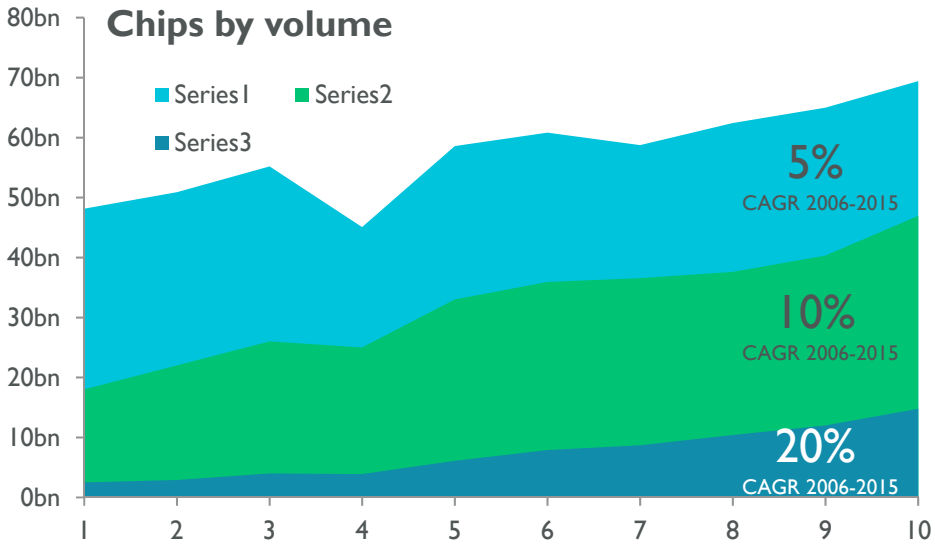
Standard platform enables a software ecosystem

- ARM processors are licensed to many different semiconductor companies create a standard platform shared across multiple chips from different companies
- Software can be run on an ARM processor regardless of who designed or manufactured the chip
- Standard software platform benefits everyone
  - OEMs who can source chips from multiple vendors
  - Software engineers who can reuse code and apps across



ARM's opportunity continues to broaden

- Semiconductor industry continues to grow – 5% by volume, 2.5% by value
- Proportion of chips with processors is increasing – 70% in 2015
- ARM is gaining share within the "chips with processors" segment of the industry – 32% in 2015



* Data source: WSTS, January 2016 and ARM, Industry volume excluding analog and memory

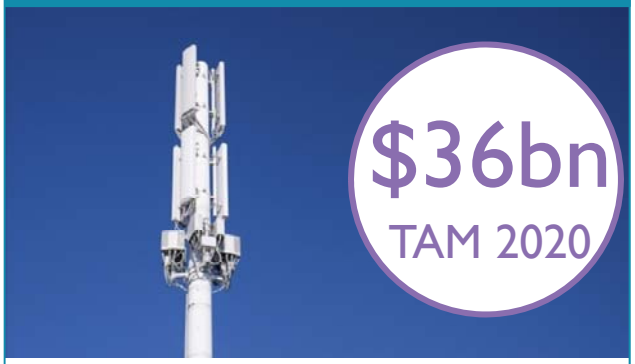
ARM

ARM's main growth markets

Application Processors

- Smartphones, tablets and laptops
- Apps processor, modem, connectivity, touchscreen and image sensors
- Apps processor: Increasing proportion using ARM technology with higher royalty per chip from ARMv8-A, octa-cores, graphics and physical IP

Networking & Servers



- Base stations, routers, switches, and servers for cloud and data centres
- Networks evolve to cope with increased data at lower latency: virtualisation, integration and programmability
- Most major chip vendors have announced ARM-based products

Embedded Intelligence

- Automotive, white-goods, wearables, smart devices in industrial and utilities
- Microcontrollers, smartcards, embedded connectivity chips
- 200 companies have licenced ARM processors for use in embedded intelligent devices

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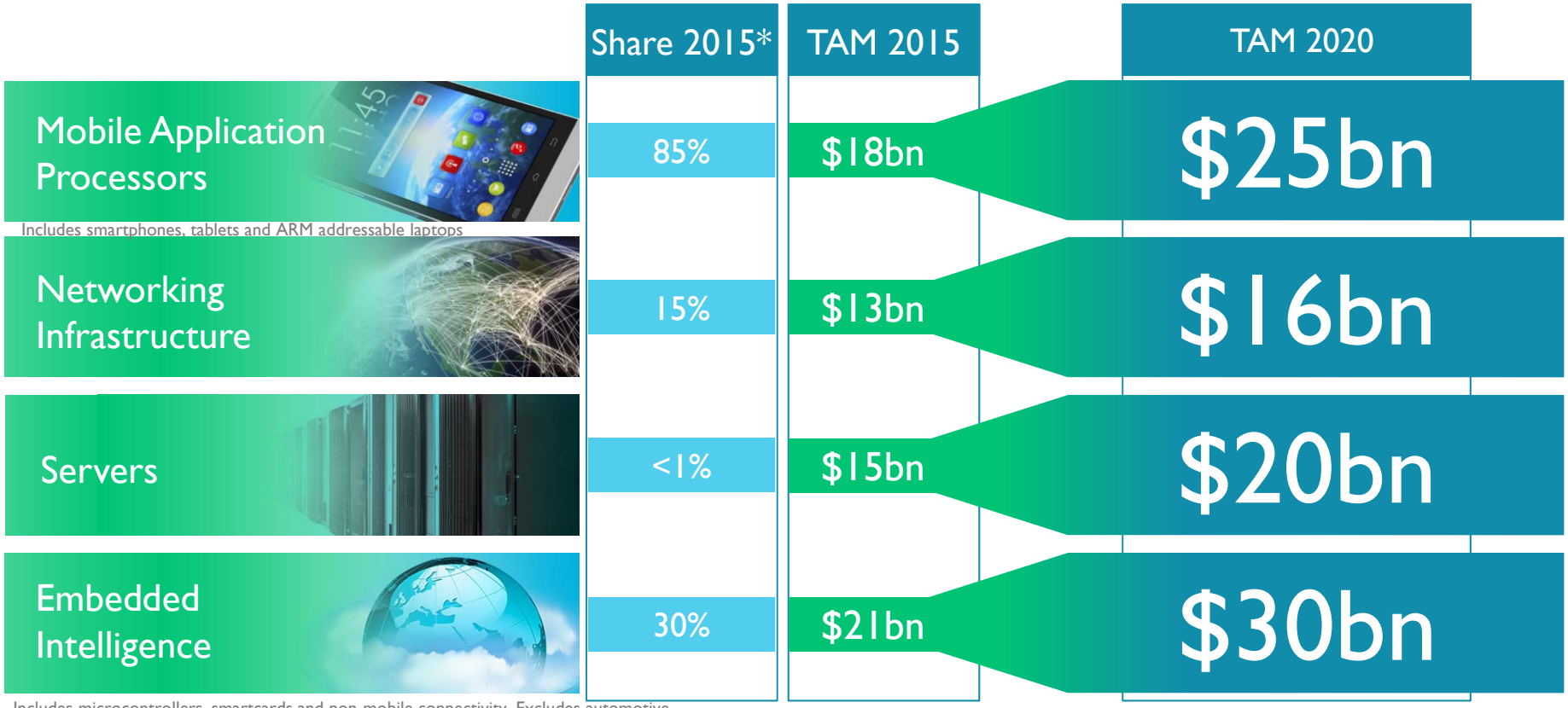
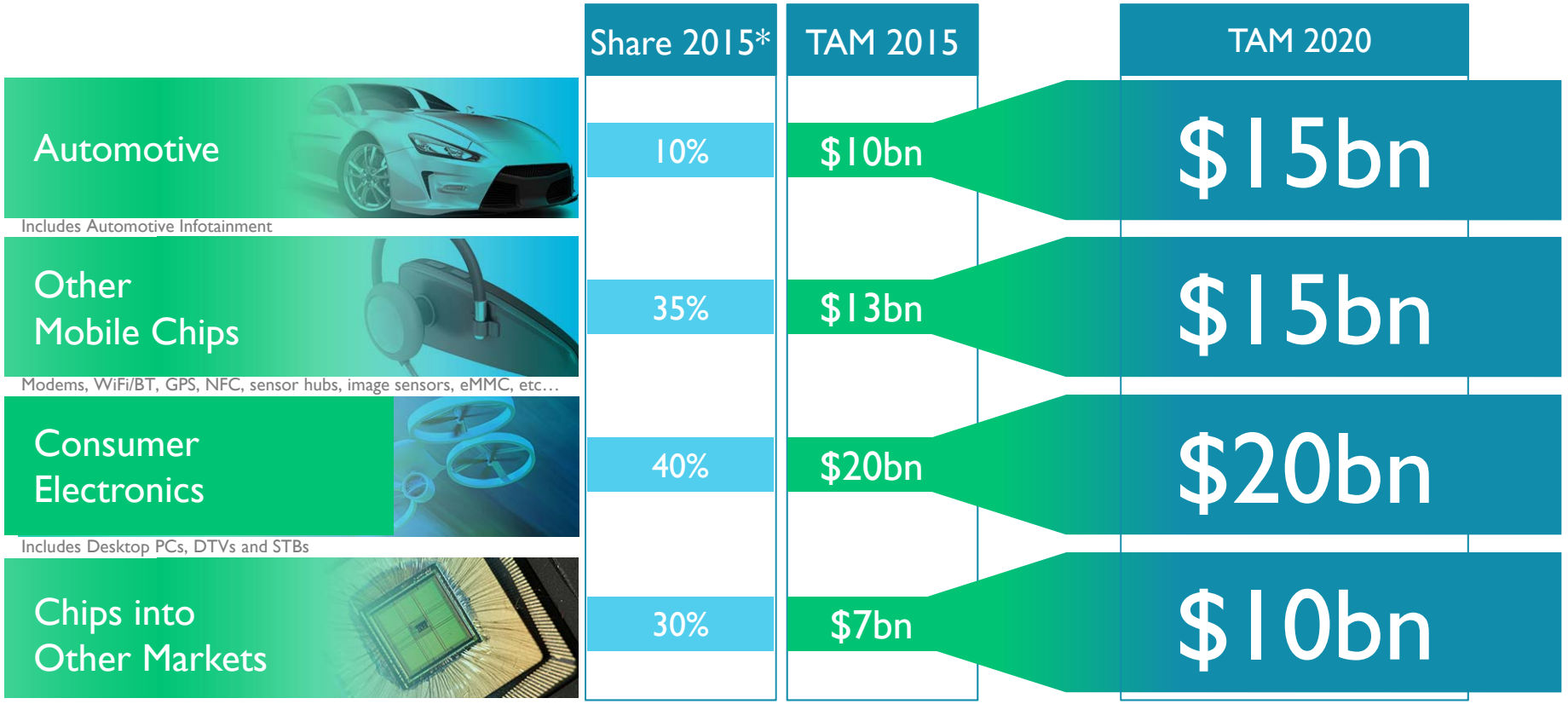
ARM's expanding opportunity



* 2015ARM Market Share by Volume
† Total Available Market (TAM)

ARM

ARM's expanding opportunity

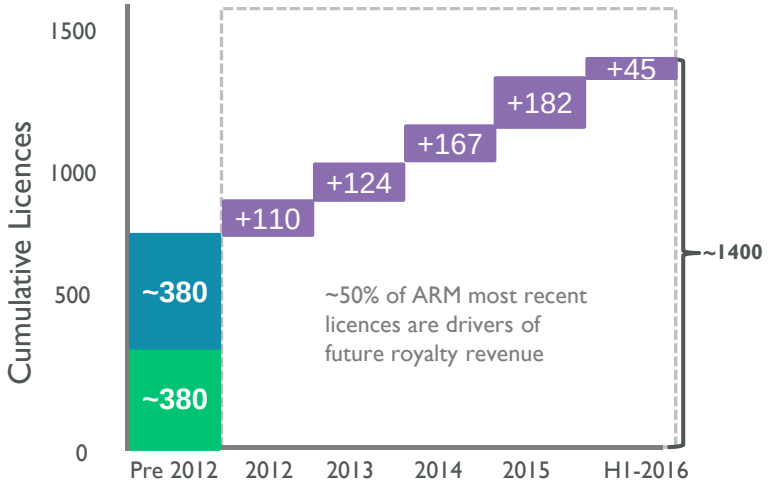


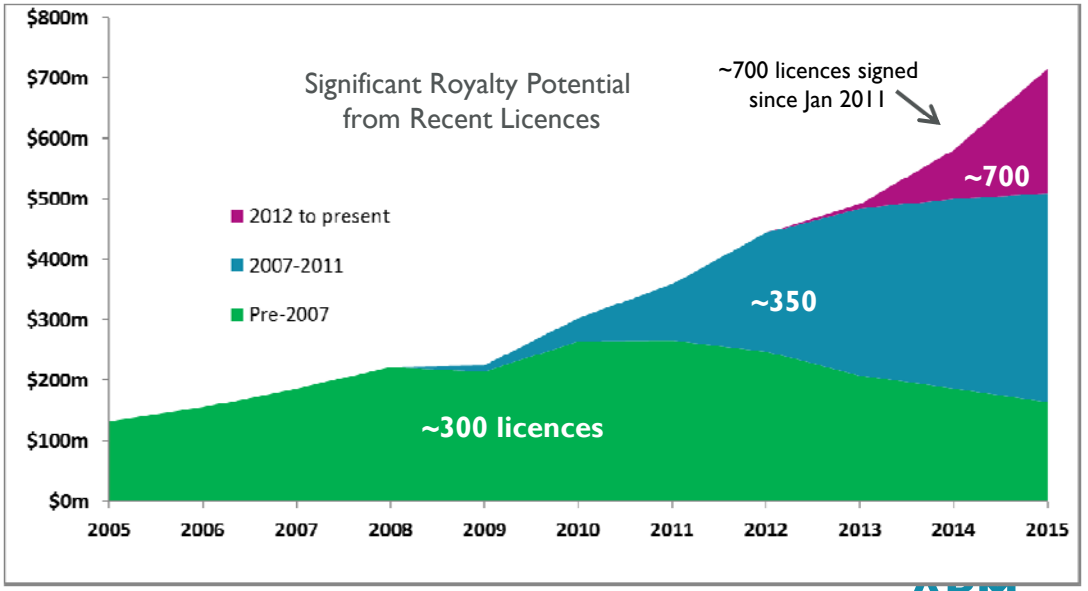
* 2015 ARM Market Share by Volume
† Total Available Market (TAM)

ARM

Licensing enables future royalties

- ARM signed182 licences in FY2015
- ARM's current royalty revenues are derived from licences signed many years ago
- Growing base yields royalty revenues over long period





Licensing drives market share

ARM gains share by winning designs at leading semiconductor companies

			2015 Share
Mobile Computing*	Apps Processors		>85%
	Connectivity, Sensors, etc.		60%
Voice / Feature Phones			95%
DTV and STB			50%
Consumer Entertainment			80%
Computer Peripherals			75%
Servers (ARMv8-A based)			<1%
Networking Infrastructure			15%
Hard Disk and SSD			90%
Automotive	Apps Processors		95%
	Other Automotive Chips		5%
Smartcards			26%
Microcontrollers			25%
Embedded Connectivity			60%
3D Graphics			30%

- Shipping mainly ARM-based chips
- Shipping some ARM-based chips
- Public ARM design wins, but not yet shipping
- No ARM design win or not yet public

Movement from 2014 to 2015
→ 13 companies re-equipped
→ 11 companies re-equipped
→ 1 companies re-equipped
→ 2 companies re-equipped
→ 2 companies decided to use ARM
Movement in 2Q 2016
→ 5 companies re-equipped

Based on current market shares and ARM's view of how these markets may develop.

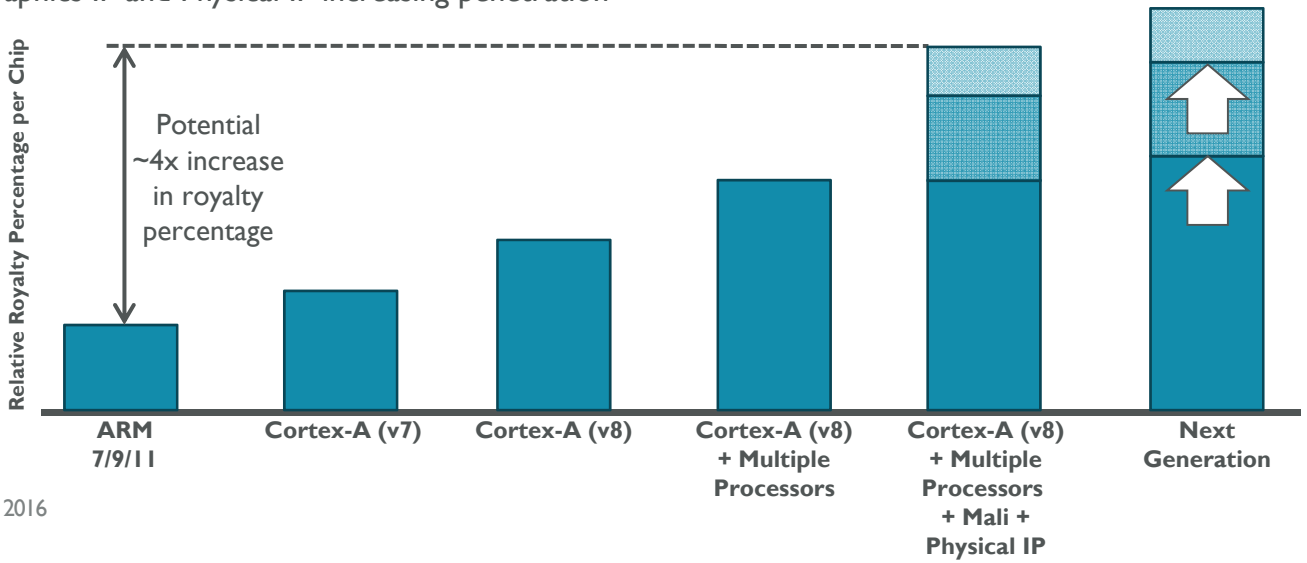
ARM will update the chart on the left only when design wins become public

*** Includes smartphones, tablets and laptops**

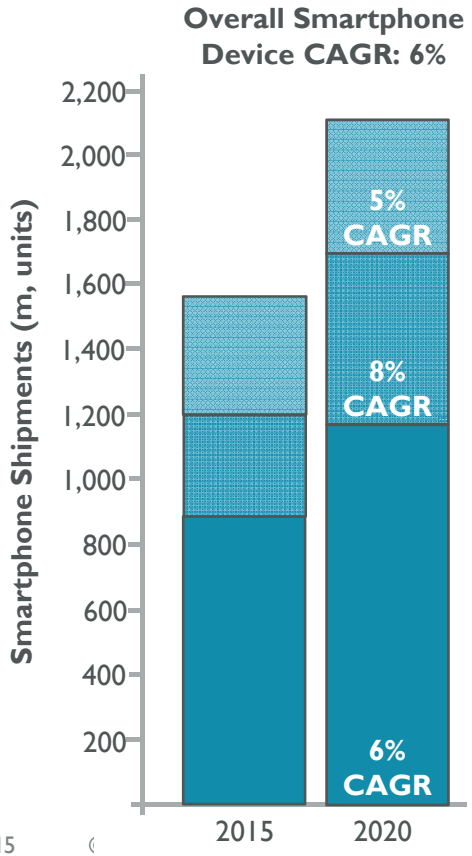
ARM

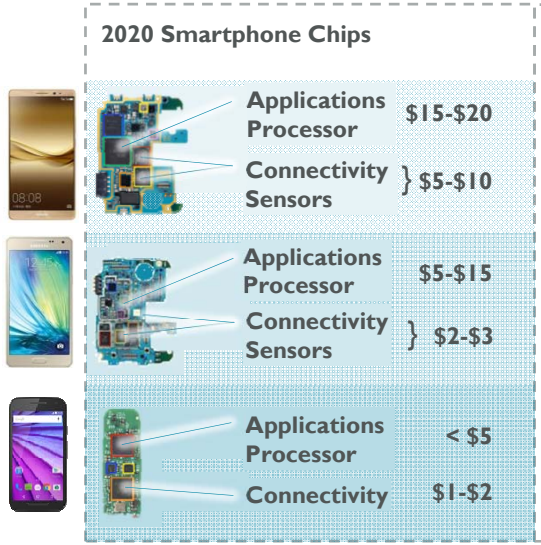
Delivering more value per chip

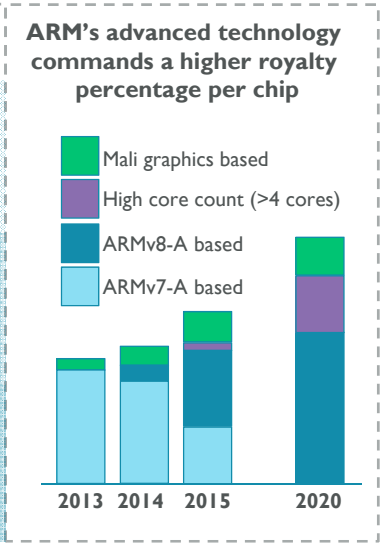
- ARM is developing more advanced technology, delivering a greater benefit to customers and generating a higher royalty percentage per chip:
  - More capable processor command a higher royalty per chip
  - Higher royalty for the ARMv8-A architecture
  - Multiple processors per chip – from 8 to 256 cores per chip
  - Mali graphics IP and Physical IP increasing penetration



2020 opportunity in smartphones







~15% Smartphone Royalty CAGR

Premium Smartphones

Mid-range Smartphones

Entry-level Smartphones

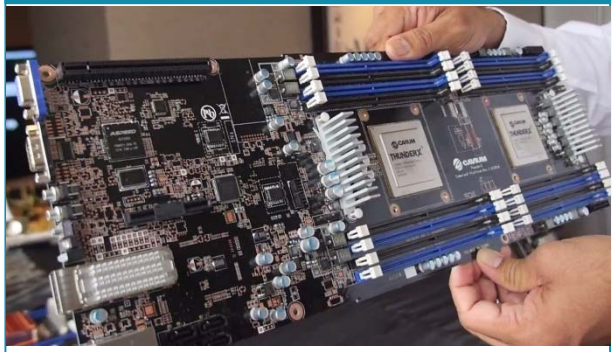
Source: Gartner and ARM

ARM

ARM's opportunity in networking infrastructure

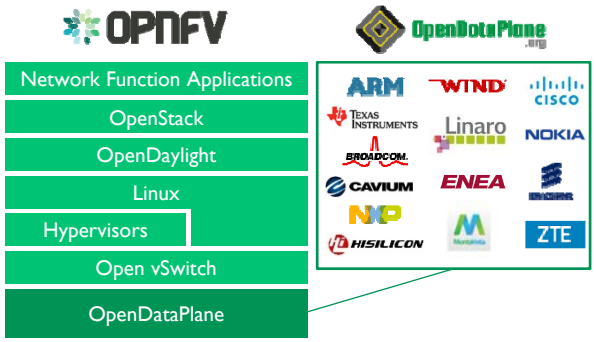
Investing today to accelerate long-term share gains

Product Development



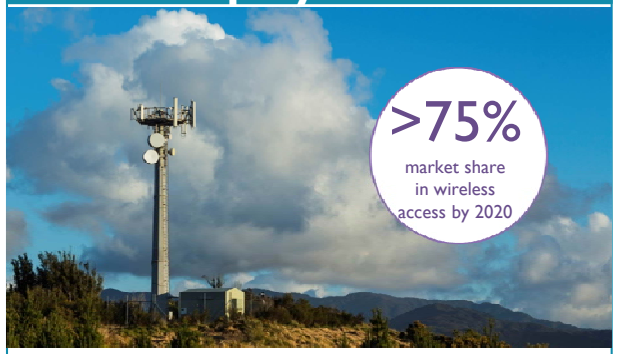
ARM is investing in new advanced SoC technologies to understand new workloads and how to optimise future architectures, processors, SOCs and systems

Creating software



ARM is working with Open Source community to expand the availability of these new software components and ensure they run efficiently on ARM-based SOCs

Earlier scale-out deployments



ARM is engaging closely with operators and OEMs to help them develop the proof-of-concepts that will drive deployments

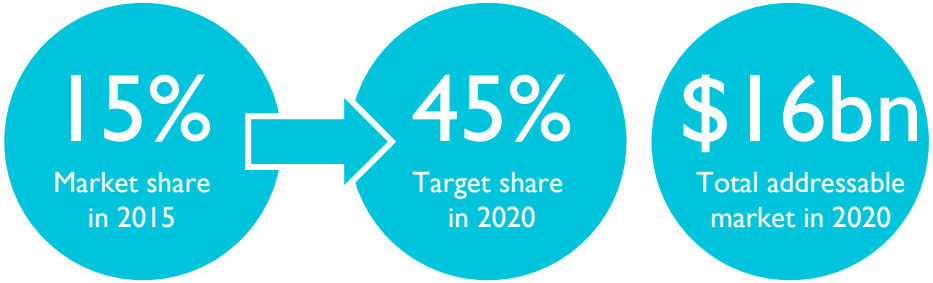
Accelerating share in networking infrastructure

	Market OEM selling into	Current design wins
Wireless	Wireless access	
	Mobile backhaul	
Wired	Wired access	
	Aggregation/Core	
Enterprise	High-end enterprise/Data centres	
	Low/mid enterprise equipment	
	Storage and Security	

Each dot represents a leading OEM providing equipment into each market.

Colour codes represent whether an ARM-based chip is the main chip in the device.

- Shipping mainly ARM-based equipment
- Shipping some ARM-based equipment
- ARM design wins, but not yet shipping
- No ARM design wins



Change since Capital Markets Day (Sept 2015)

- 2 OEMs have selected ARM for the first time in this application
- 1 OEM has started shipping

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ARM's opportunity in servers

Investing today to accelerate long-term share gains

Product Development

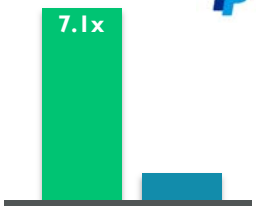
AMD A1100 based SoftIron Overdrive 3000

Applied Micro based E4 ARKA

ARM is investing in new technology for physical IP, processor architecture and implementations, as well as tools and analysis to optimise SOCs for servers

Optimising software

PayPal

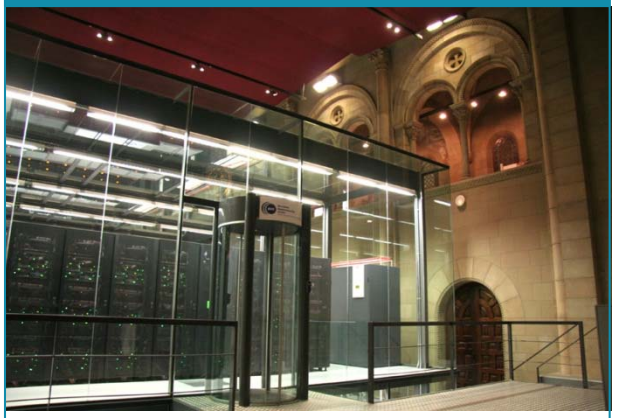


HP ProLiant server cartridge

ARM and server ecosystem optimising software for ARM-based SOCs

All major Linux operating systems now have ARM releases

Early deployments started



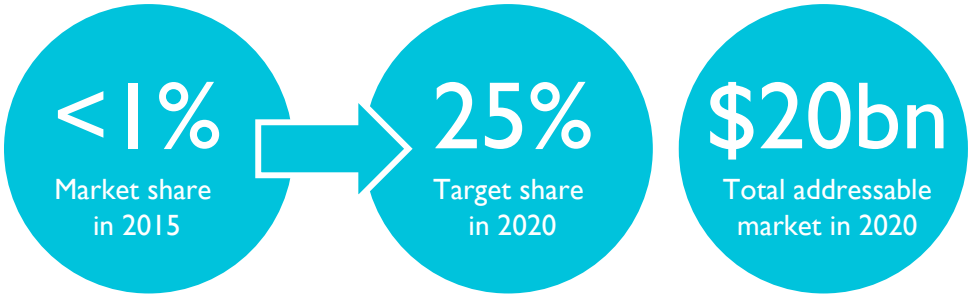
ARM is engaging with server users for cloud, HPC and large enterprise applications to accelerate the deployment of ARM-based servers

ARM

Accelerating share in servers

Over 1,000 ARM-based server chips being shipped every month

High Performance Computing (HPC)	ARM-based servers are being tested at national labs and research institutions in several regions. Three deployments so far.
Cloud	Three early deployments by Tier 1 cloud companies. All major cloud companies are evaluating ARM-based server technology.
Enterprise	Several enterprises that are amongst the world's largest uses of server technology have started to evaluate ARM-based servers.



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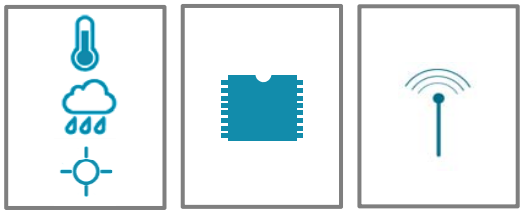
ARM's opportunity in embedded intelligence

ARM technology is at the heart of IoT

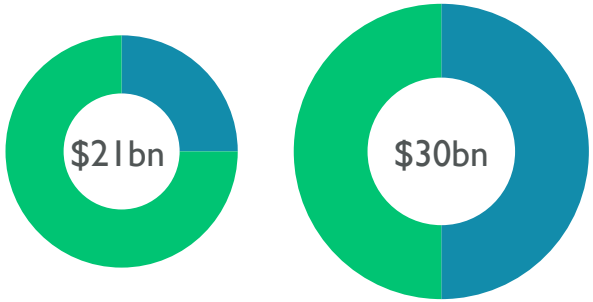


ARM Share: 26% **>50%**

Common software, low-power platform

Large and fast growing market

ARM expects to gain share in a market growing at 7% CAGR

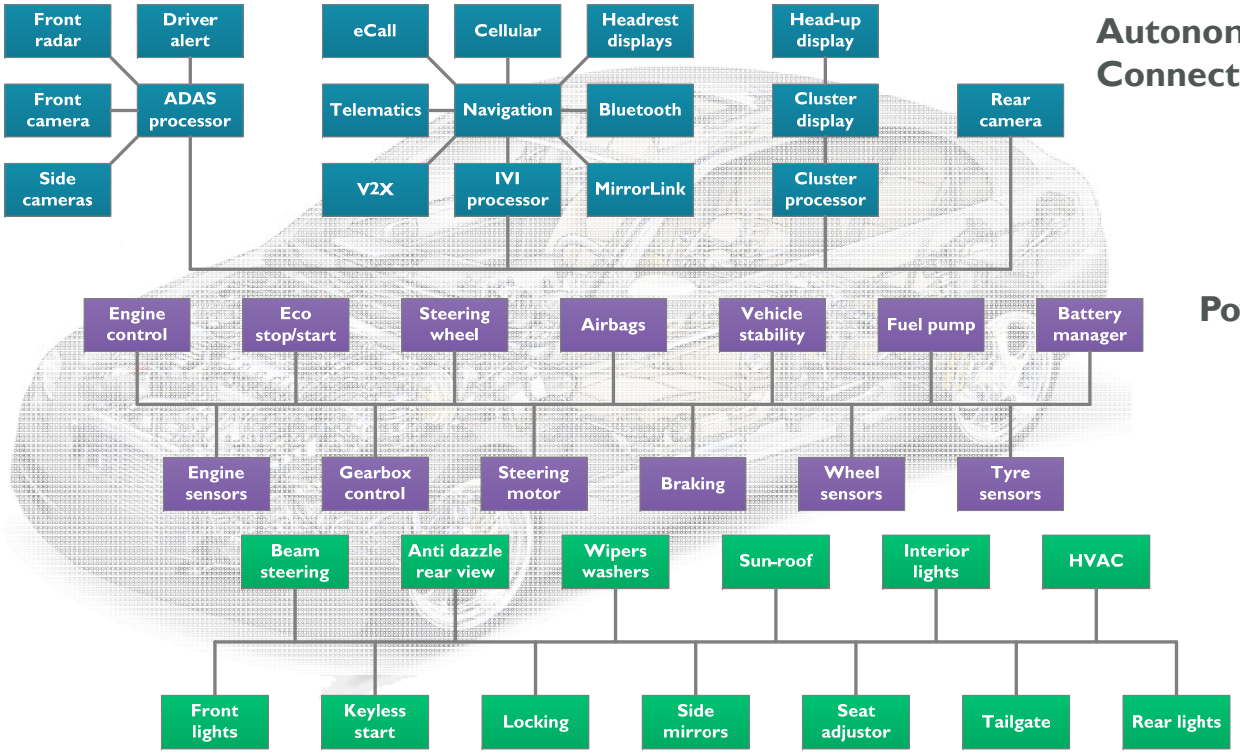


Diverse range of end-market opportunities

ARM

ARM's automotive opportunity

Functional safety, consolidation, partitioning, virtualisation, performance, power, cost



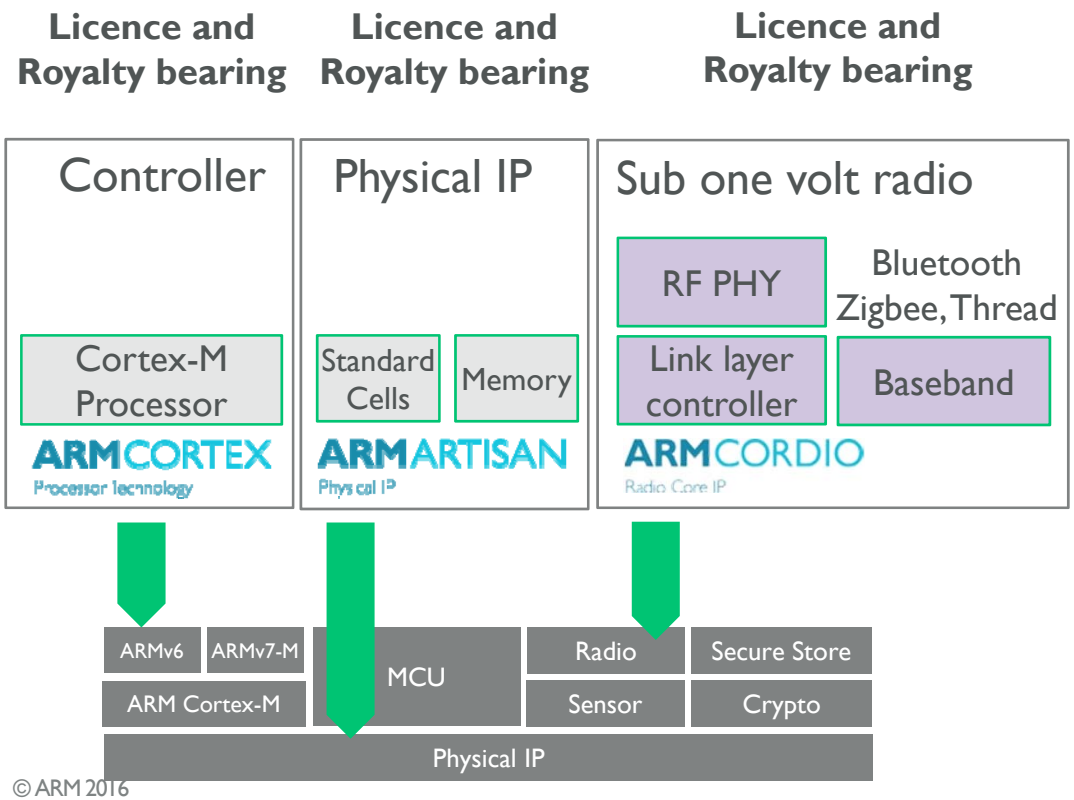
Autonomous driving, ADAS, Cluster, Connectivity

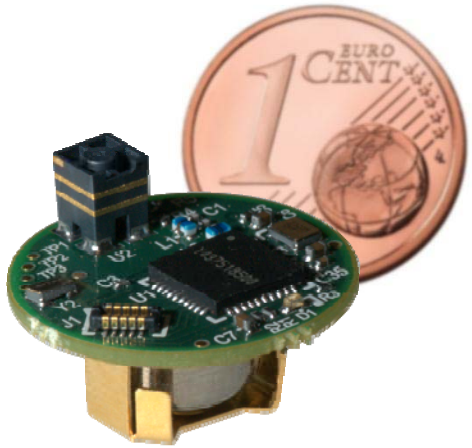
Powertrain, chassis

Body electronics, sensors, actuators, communications

ARM

ARM technology for the IoT opportunity

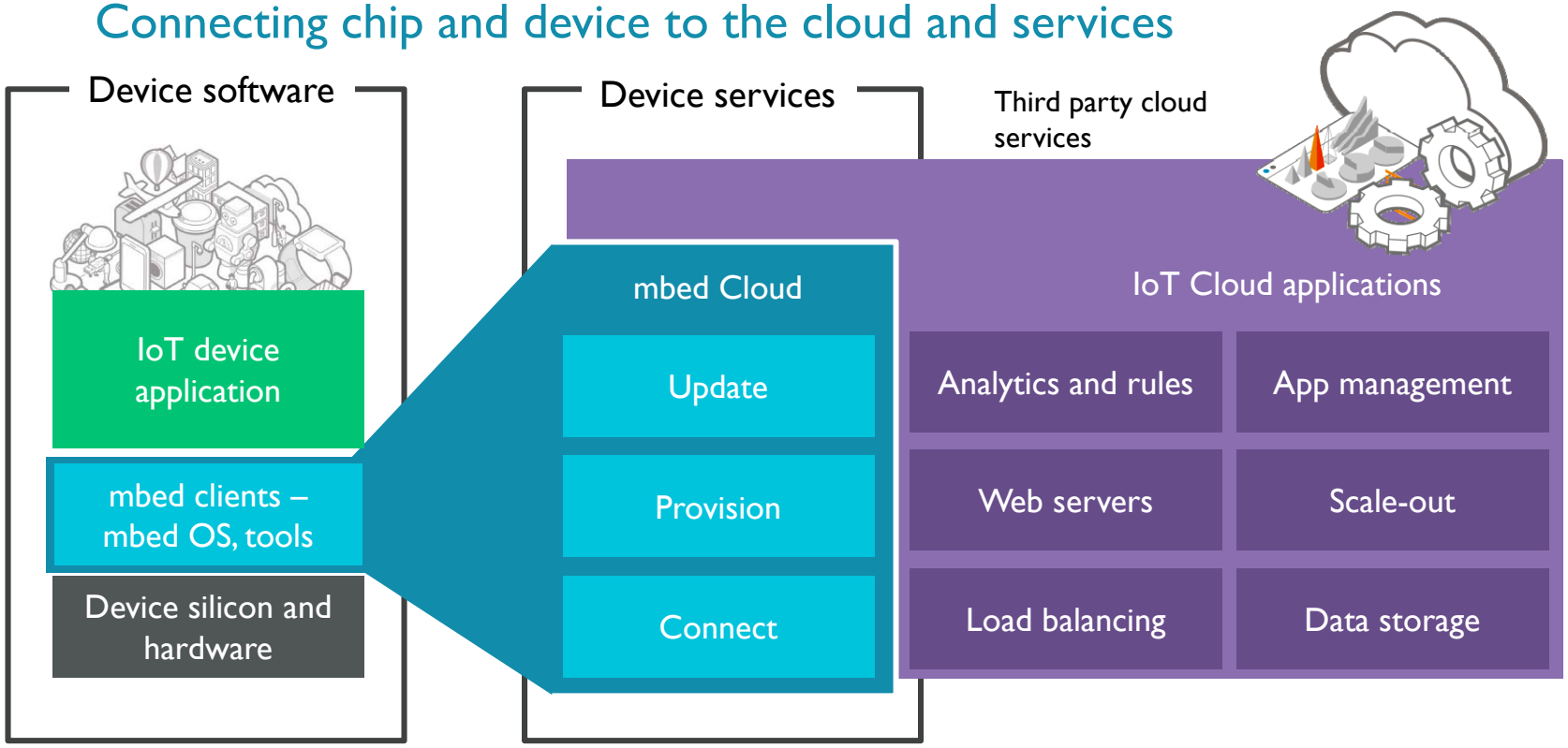




10-year battery life

Investing in the software platform for a secure IoT

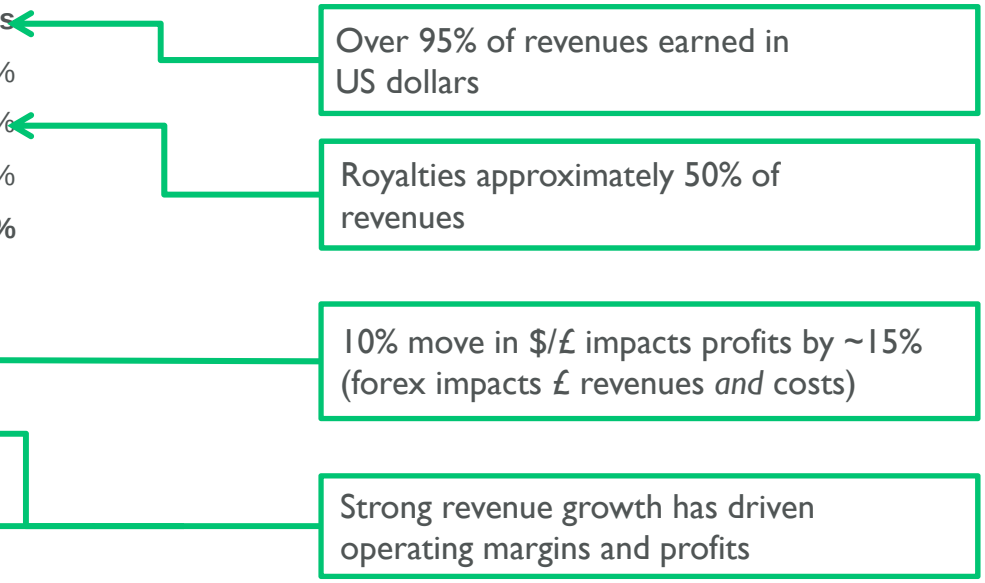
Connecting chip and device to the cloud and services



ARM

From Revenue to Profits and Cash

FY 2015 Revenues	$m	£m	%revs
Licensing	603	394	39%
Royalty	832	563	53%
Software and Services	124	82	8%
Total	1,559	1,039	**100%**
Total Costs		500	
Adjusted EBITA (£m)		**539**	
Operating Margin		52%	
IFRS EBIT (£m)		434	

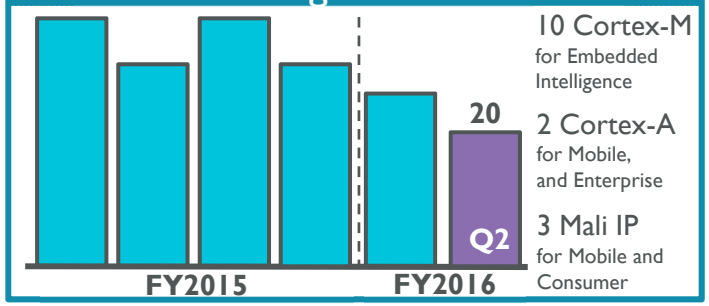


Financial numbers aligned with SoftBank reporting periods (01 April 2015 to 31 March 2016)

ARM

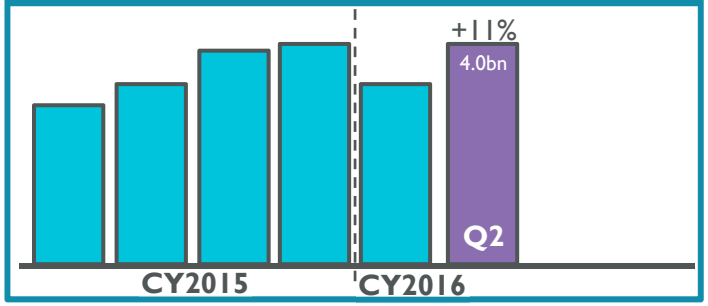
Qtr ending Sept. 2016* – Progress against strategy

Licences signed for broad range of end markets

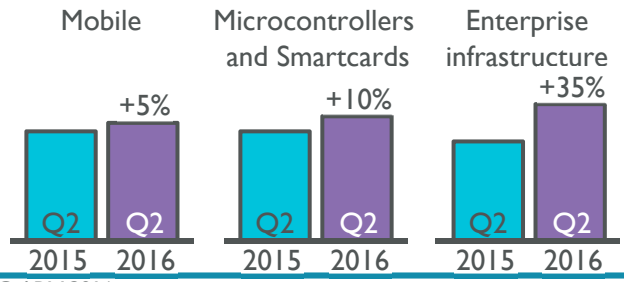


- 10 Cortex-M for Embedded Intelligence
- 2 Cortex-A for Mobile, and Enterprise
- 3 Mali IP for Mobile and Consumer

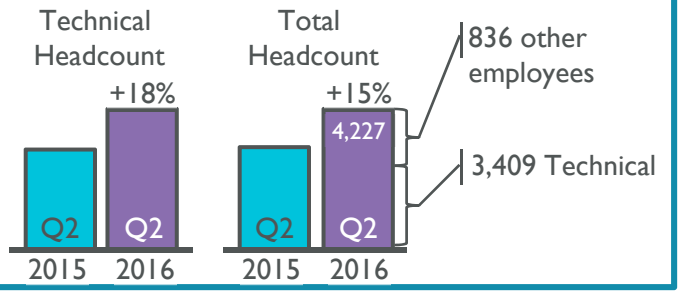
Reported Royalty Units Growing



Key market performance (unit growth)



Investing in Future Technology



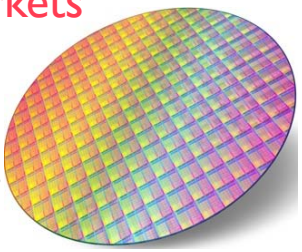
* SoftBank's financial year runs from April 01 to March 31.

ARM

Investment leading to technology adoption in Q2 2016

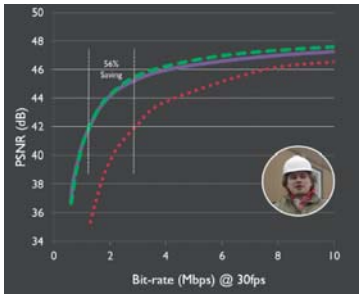
Introducing technologies for a broad range of industry-leaders in different markets

New processors for secure embedded applications such as Internet of Things



Intel announced partnership with ARM for physical IP on 10nm foundry process

Cortex-R52 for safety critical subsystems such as automotive and robotics

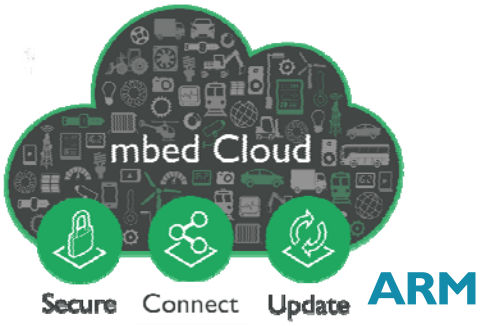


Mali-V61 adding 4K at 120fps video encode in a smartphone

Mali-V61 VP9
Mali-V61 HEVC
Mali-V550 H.264

Mali-G51 bringing virtual reality to mainstream mobile handsets

mbed Cloud: ARM's SaaS product for Internet of Things



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- Most quarters ARM hosts a series of investor events. Recordings of these events are available on the ARM investor website at www.arm.com/ir