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Annual Securities Report

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal Year From April 1, 2022 to March 31, 2023

(The Ninth Business Period)

Socionext Inc.

2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa

(E37978)

The 9th Fiscal Year (from April 1, 2022 to March 31, 2023)

Annual Securities Report

1. This is an English translation of the Annual Securities Report (“Yukashoken Hokokusho”) filed via the Electronic Disclosure for Investors’ Network (“EDINET”) system as set forth in Article 27-30-2 of the Financial Instruments and Exchange Act of Japan. The translation includes a table of contents and pagination that are not included in the electronic filing.
2. Appended to the back of this document, are English translations of the auditors’ report that was attached to the Annual Securities Report when it was filed using the aforementioned method, and the internal control report and confirmation letter that were filed at the same time as the Annual Securities Report.

Contents

[Cover]

[Document Title]	Annual Securities Report
[Clause of Stipulation]	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	June 29, 2023
[Fiscal Year]	The Ninth Business Period (from April 1, 2022 to March 31, 2023)
[Company name]	Socionext Inc.
[Company Name in English]	Socionext Inc.
[Title and Name of Representative]	Masahiro Koezuka, Representative Director, Chairman, President and CEO
[Address of Head Office]	2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
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[Telephone Number]	045-568-1000
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Part I Company Information

I Overview of Socionext Group

1 Key Financial Data

(1) Consolidated financial data

Fiscal year		7th business period	8th business period	9th business period
Year end		March 2021	March 2022	March 2023
Net sales	(Million yen)	99,746	117,009	192,767
Ordinary income	(Million yen)	1,969	9,050	23,440
Profit attributable to owners of parent	(Million yen)	1,469	7,480	19,763
Comprehensive income	(Million yen)	1,843	8,040	20,255
Net assets	(Million yen)	81,676	89,609	109,864
Total assets	(Million yen)	104,235	118,428	193,945
Net assets per share	(yen)	2,422.57	2,661.30	3,262.93
Basic earnings per share	(yen)	43.63	222.18	587.02
Diluted earnings per share	(yen)	-	-	557.46
Shareholders' equity ratio	(%)	78.25	75.66	56.64
Return on equity	(%)	1.82	8.74	19.82
Price-earnings ratio	(Times)	-	-	16.58
Net cash provided by operating activities	(Million yen)	10,704	16,355	18,019
Net cash used in investing activities	(Million yen)	(1,453)	(7,938)	(19,725)
Net cash used in financing activities	(Million yen)	(410)	(458)	(333)
Cash and cash equivalents at the end of the fiscal year	(Million yen)	37,665	46,271	45,136
Number of employees	(persons)	2,626	2,569	2,526

Notes: 1 The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the Type A shares and Type B shares on September 6, 2022, and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company cancelled all the Type A shares and Type B shares. Net assets per share, basic earnings per share and diluted earnings per share are computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the seventh business period.

2 Diluted earnings per share for the seventh and eighth business periods are not presented because the Company's shares were unlisted and therefore an average quoted stock price is not available although there are dilutive shares.

3 As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, diluted earnings per share for the ninth business period is computed by deeming the average stock price during the period from the listing date to the end of the ninth business period to be the average stock price during the fiscal year.

4 Price-earnings ratios for the seventh and eighth business periods are not presented as the Company's shares were unlisted.

5 The consolidated financial statements for the seventh business period and beyond of Socionext Inc. (the “Company”) were prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976), and were audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

6 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Socionext Group but including those on secondment from outside the Socionext Group). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.

7 The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the eighth business period. Key financial data for the eighth business period and beyond reflect these accounting standards.

(2) Financial data of reporting company

Fiscal year		5th business period	6th business period	7th business period	8th business period	9th business period
Year end		March 2019	March 2020	March 2021	March 2022	March 2023
Net sales	(Million yen)	108,942	102,680	99,161	116,096	191,830
Ordinary income	(Million yen)	771	2,278	1,921	7,775	21,393
Profit	(Million yen)	668	2,183	1,597	6,489	18,078
Common stock	(Million yen)	30,200	30,200	30,200	30,200	30,200
Total number of issued shares	(shares)	120,800,000	120,800,000	120,800,000	120,800,000	33,666,666
Common stock	(shares)	60,000,000	60,000,000	60,000,000	60,000,000	33,666,666
Type A shares	(shares)	40,000,000	40,000,000	40,000,000	40,000,000	-
Type B shares	(shares)	20,800,000	20,800,000	20,800,000	20,800,000	-
Net assets	(Million yen)	74,999	77,185	78,782	85,272	103,351
Total assets	(Million yen)	94,209	94,381	99,234	112,223	184,664
Net assets per share	(yen)	2,227.35	2,292.27	2,339.72	2,532.49	3,069.48
Amount of dividend per share (Of which, interim dividend per share)	(yen)	- (-)	- (-)	- (-)	- (-)	210.00 (-)
Basic earnings per share	(yen)	19.87	64.86	47.45	192.77	536.99
Diluted earnings per share	(yen)	-	-	-	-	509.95
Shareholders' equity ratio	(%)	79.60	81.77	79.38	75.97	55.96
Return on equity	(%)	0.89	2.87	2.05	7.91	19.17
Price-earnings ratio	(Times)	-	-	-	-	18.12
Dividend payout ratio	(%)	-	-	-	-	39.11
Number of employees	(persons)	2,230	2,190	2,216	2,191	2,167
Total shareholder return (Benchmark: –)	(%) (%)	- (-)	- (-)	- (-)	- (-)	- (-)
Highest stock price	(yen)	-	-	-	-	10,520
Lowest stock price	(yen)	-	-	-	-	3,690

Notes: 1 As the Company did not distribute dividends for the fifth through eighth business periods, the dividend per share and dividend payout ratio are not provided.

2 The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the Type A shares and Type B shares on September 6, 2022, and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company cancelled all the Type A shares and Type B shares. Net assets per share, basic earnings per share and diluted earnings per share are computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the fifth business period.

3 Diluted earnings per share for the fifth through eighth business periods are not presented because the Company's shares were unlisted and therefore an average quoted stock price is not available although there are dilutive shares.

4 As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, diluted earnings per share for the ninth business period is computed by deeming the average stock price during the period from the listing date to the end of the ninth business period to be the average stock price during the fiscal year.

5 Price-earnings ratios for the fifth through eighth business periods are not presented as the Company's shares were unlisted.

6 The financial statements for the seventh business period and beyond of the Company were prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963), and were audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

Respective financial data for the fifth and sixth business periods are presented in accordance with the "Regulation on Corporate Accounting" (Ministry of Justice Order No. 13 of 2006). In addition, the financial data for each respective period was not audited by Ernst & Young ShinNihon LLC in accordance with the provisions set forth in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

7 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.

8 The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the eighth business period. Key financial data for the eighth business period and beyond reflect these accounting standards.

9 As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, total shareholder return and benchmark information for the fifth through ninth business periods are not presented.

10 The highest and lowest stock prices reflect Tokyo Stock Exchange Prime Market quotations.
As the Company was listed on the Exchange as of October 12, 2022, stock prices prior to that date are not presented.

2 History

Socionext Inc. ("the Company") commenced business operations in March 2015, integrating the SoC (Note 1) businesses of Fujitsu Limited and Panasonic Corporation (currently Panasonic Holdings Corporation), with funding from Development Bank of Japan Inc.

Month and year	Event
September 2014	Socionext Inc. established as a preparation company.
March 2015	Commenced operations by integrating the SoC businesses of Fujitsu Semiconductor Ltd. and Panasonic Corporation (currently Panasonic Holdings Corporation) through a demerger of the two companies.
January 2016	Socionext America Inc., a subsidiary of the Company, acquired all shares of Bayside Design Inc.
April 2016	The Taiwan branch of Socionext Technology Pacific Asia Ltd. incorporated to establish Socionext Taiwan Inc.
August 2017	Concluded an investment agreement with XVTEC Ltd. (Note 2) to acquire its common stock (an affiliate accounted for by the equity method).
April 2018	Bayside Design Inc. merged into Socionext America Inc., a subsidiary of the Company, through absorption-type merger.
April 2018 onward	Designated the Custom SoC business based on the Solution SoC business model for customers seeking unique SoCs for service/product differentiation as a focus business, and sequentially shifted and strengthened resources in the sales and development divisions.
January 2019	Sold all shares of Socionext Embedded Software Austria GmbH to another company.
March 2021	Terminated and dissolved the joint venture, Socionext Global Platform Inc.
May 2021	Consolidated the four separate development sites in the Kyoto area into one, located within Kyoto Research Park (Shimogyo-ku, Kyoto).
March 2022	Transitioned to a company with Audit and Supervisory Committee.
October 2022	Listed on the Tokyo Stock Exchange Prime Market.

Notes: 1 SoC stands for System on Chip, representing a semiconductor chip in which some or all of the functions needed to run a device or system are integrated onto a single semiconductor chip.

2 We transferred all shares of XVTEC Ltd. in August 2021 and terminated capital and personnel relationships with the company.

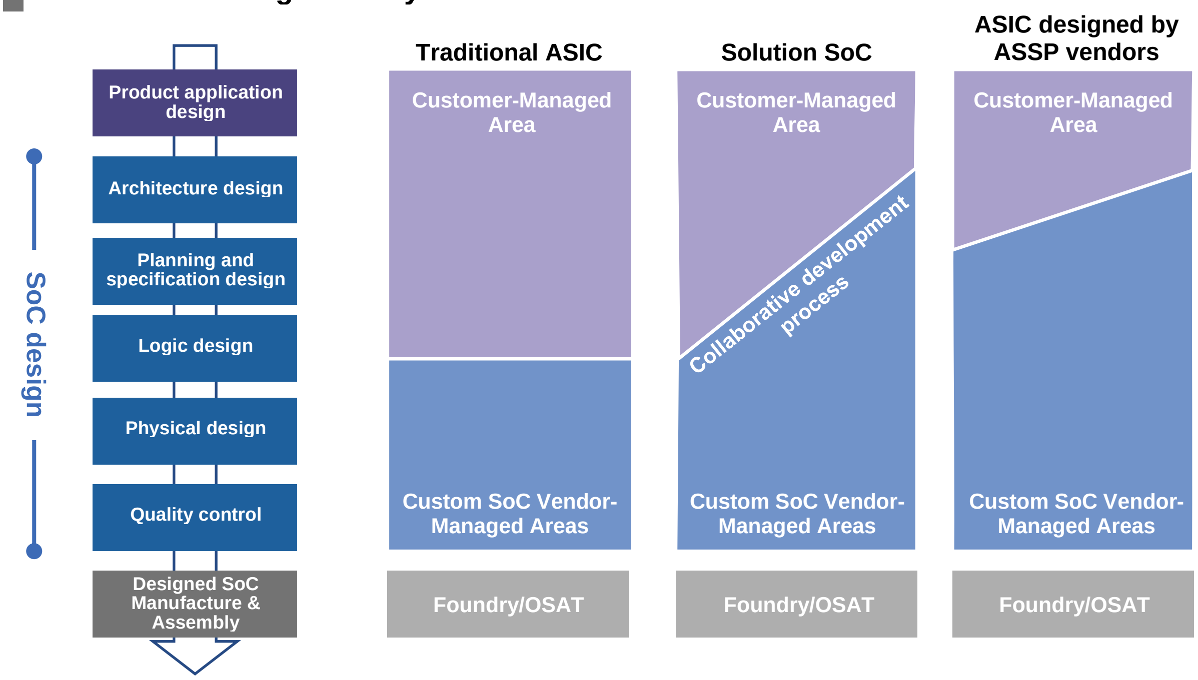
3 Description of Business

The Group (“the Group,” “the Company,” “we” and “our” refer to Socionext Inc., and its consolidated subsidiaries) is a fabless semiconductor vendor that develops and supplies custom SoCs to customers based on a new and unique business model called “Solution SoCs” in the logic semiconductor market. SoC stands for System on Chip, signifying that the functions necessary for the operation of a device or system are implemented on a single chip (semiconductor). Among these SoCs, the Group prioritizes its focus on custom SoCs designed specifically for individual customers. As a partner to customers requiring unique, advanced SoCs to differentiate their new services and products, and in collaboration with suppliers providing the latest technologies, spanning from IP (*1), EDA (*2) tools and software to processing, assembly and testing, we aim to deliver new value not only to our customers but also to people around the world, thereby creating a prosperous society.

In the past, the Group developed businesses centered on conventional ASICs (*3), solely managing the physical design based on SoC specifications provided by customers, and general-purpose ASSPs (*4), which specialize in functions and purposes within a limited range of fields and applications. Since the fiscal year ended March 31, 2019, in addition to conventional ASICs and ASSPs, we have worked together with customers seeking differentiation in their products to formulate specifications and conduct logical designs. This transitioned us to a business model that combines advanced technologies to deliver optimal SoCs for customers. Our business now centers on custom SoCs based on this “Solution SoC” business model.

There are three primary business models for custom SoCs. First, in conventional ASICs, the upstream designs of the SoCs, including architecture design, planning and specification design, as well as logical design, are undertaken by customers themselves. The subsequent processes are then handled by external custom SoC vendors. Therefore, this limits the use of conventional ASICs to customers who have the ability to perform upstream design themselves. On the other hand, the Group's Solution SoC business model facilitates collaborative engagement in these upstream designs with its customers, enabling the provision of products to customers who may lack the capability to undertake such upstream designs. In addition, in the model that provides ASICs designed by an ASSP vendor, customization is restricted due to the ASSP being tailored according to the vendor's own specifications. Simultaneously, customers are cautious about potential vendor lock-in (*5). In contrast, the Solution SoC business model also leverages the most advanced technology provided by external vendors to optimize the SoC for customers while avoiding vendor lock-in.

Custom SoC design flow by business model



In recent years, advancements in semiconductor manufacturing technology, coupled with the widespread use and integration of various innovative technologies such as networks, clouds, and artificial intelligence (AI) leveraging these advancements, have given rise to a wave of novel services and products, including autonomous driving and augmented reality (AR)/virtual reality (VR). Companies developing these services and products need high-performance, scalable SoCs of their own, leveraging advanced technologies to differentiate their services and products.

Meanwhile, in the semiconductor industry, companies specializing in process technology (*6), packaging technology (*7), and test technology, alongside IP, EDA tools, and software, have emerged. Constantly evolving cutting-edge technologies are transforming the industry into an ecosystem where access to such technologies is readily available in the market. However, the challenge of selecting and integrating those diverse technologies to design and develop optimal SoCs for customers is becoming more intense.

As a result, many companies requiring their own SoCs are seeking a partner with expertise not only in SoC architecture but also a deep understanding of the final products and services the SoC will be equipped with. The ideal partner should be capable of integrating advanced hardware and software technologies to deliver the optimal solution for differentiation.

In the evolving market landscape, the Group stands out with its design and development capabilities, encompassing software, as well as engineering resources that enable collaborative resolution of technical issues with customers through appropriate selection. Additionally, the Group possesses strengths, including comprehensive capabilities to ensure mass production, quality assurance, and supply chain management (SCM). Hence, we have developed "Solution SoCs" as a business model that enables us to deliver a tailored SoC that better suits our customers. This involves a collaborative development process, where the SoC specifications are determined jointly with the customer who find conventional ASICs, ASSPs, and ASICs designed by ASSP vendors unsatisfactory. While we accumulate experience and expertise in emerging cutting-edge markets, we proactively invested in developing advanced technologies and exploring and demonstrating various technology combinations for differentiation to enhance our competitiveness. Furthermore, we transitioned to a streamlined R&D system, eliminating barriers across business units, consolidating them based on development functions, and subsequently allocating necessary resources to each project. As a result, the percentage of NRE revenue (*8) accounted for by projects utilizing advanced process nodes (an indicator of the generation of semiconductor manufacturing technology (the semiconductor process); 1 nanometer (1 nm) is equivalent to one-millionth of a millimeter, and the smaller the number of nanometers, the more advanced the technology) of 7 nm or smaller increased from 1% in the fiscal year ended March 31, 2018, to 59% in the fiscal year ended March 31, 2023.

In addition to transforming our business model, we have achieved a significant shift in our focus areas, transitioning from consumer-centric areas such as TVs to cutting-edge growth areas, specifically Automotive, Data center & Networking, and Smart Devices. As a result, these cutting-edge areas accounted for 76% of NRE revenue in the fiscal year ended March 31, 2023, marking a substantial increase from 50% in the fiscal year ended March 31, 2018.

At present, the Group has acquired design wins and accumulated development results in cutting-edge growth areas, such as autonomous driving (AD)/ advanced driver assistance systems (ADAS) and in-vehicle sensing in the automotive area, mobile phone base stations and AI accelerators in the data center & networking area, and AR/VR in the smart devices area. Mass production of certain products has already commenced. Parallel to these focus areas, the Group is also developing business in the Industrial area, involving factory automation (FA) and testers that currently generate stable revenues, as well as in the IoT & radar sensing area, featuring radio-wave ranging sensor that are expected to grow through distinctive technologies.

Following customer adoption of semiconductor products, the process of initiating mass production typically requires a considerable amount of time. It usually takes more than 2 years from completing design development and customer evaluation, following the acquisition of design wins, to initiate mass production. The mass production phase also spans a considerable period of time. For this reason, as a company responsible for the long-term development and supply of customers' core components, we operate with a strong financial foundation (56.6% shareholders' equity ratio and 45.1 billion yen of cash on hand and in banks at the end of the fiscal year ended March 31, 2023).

At the design and development stage, the Group receives the majority of design and development costs from customers as NRE revenue in scheduled milestones. During the mass production stage, it receives product revenue, which constitutes most of the Group's total sales. Moreover, to capitalize on the increasing horizontal division of labor within the semiconductor industry, the Group has adopted a fabless business configuration, operating without its own factories. Production is outsourced to specialized manufacturers such as TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED (hereafter referred to as "TSMC") and other foundries and OSATs (*9).

Customers' cutting-edge products and services consistently drive the need for new SoCs, and the demands of customers and markets for such advanced SoCs evolve continuously. To swiftly adapt to this change, the Group will forge ahead with upfront development investments and enhance its development capabilities, with the aim of achieving sustainable growth.

*1 IP stands for intellectual property. In the semiconductor industry, IP refers to circuit information organized into partial functional units that make up a semiconductor. It is divided into procurement IP, which is purchased from outside, and in-house IP, which is developed internally.

2 EDA stands for electronic design automation, referring to software and tools designed to automate tasks in semiconductor design.

3 ASIC stands for application specific integrated circuit, which is a collective term for integrated circuits that combine multiple functions tailored for specific customer needs.

4 ASSP stands for application specific standard product, referring to large-scale integrated circuits with specialized functions or purposes in a limited field/application. An ASSP is a general-purpose component that is not customized for a specific customer, making it applicable to multiple customers.

5 Vendor lock-in means that once you adopt a product or service offered by a specific vendor, it becomes difficult to switch to a superior product or service offered by another vendor in the future, thereby limiting your choices.

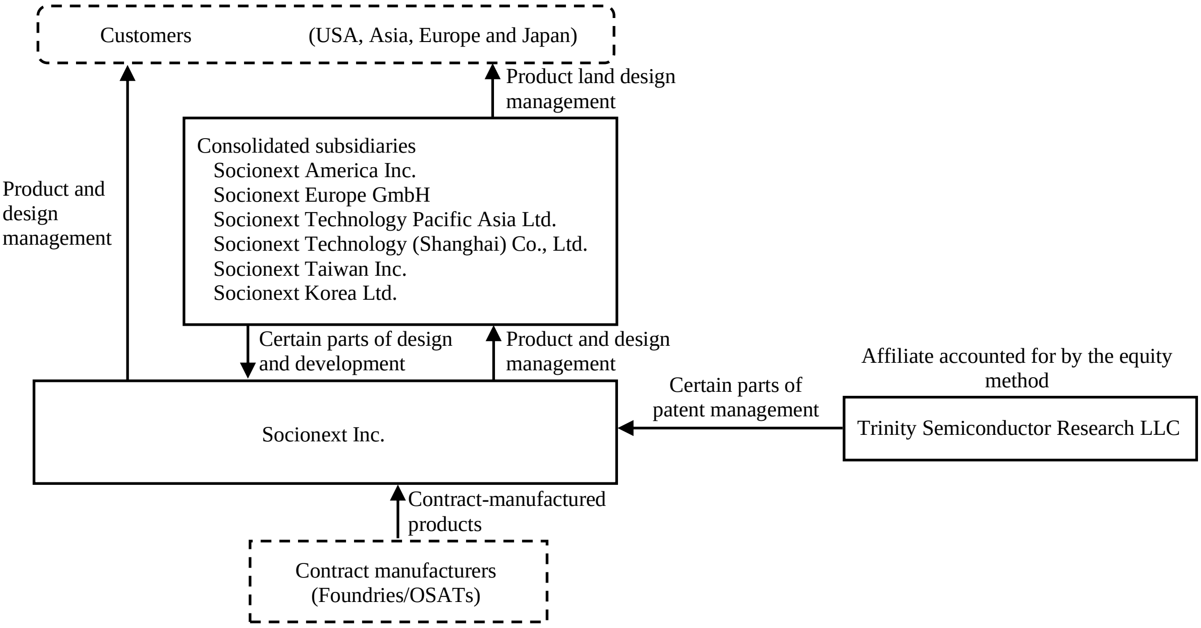
6 Process technology refers to the technology used in the pre-process of semiconductor manufacturing to create circuits on a silicon wafer.

7 Packaging technology refers to the technology used in the manufacturing process of semiconductors, called the post-process, to protect semiconductor chips from the outside and to connect them electrically.

8 NRE revenue stands for non-recurring engineering sales, referring to the sales received from customers during the development stage before mass production of products. NRE revenue correspond to design and development costs incurred during the development stage, such as labor costs, IP, design tools, reticles (photomasks used in the exposure process of semiconductor manufacturing to transfer the designed circuit to a silicon wafer), and prototype manufacturing, and are usually recorded multiple times as development milestones progress.

9 OSAT stands for out-sourced semiconductor assembly and test, representing contract manufacturing services in the later stages of semiconductor manufacturing.

The following chart summarizes the structure of the Group's businesses.



4 Information on Subsidiaries and Affiliates

Company name	Address	Common stock	Principal businesses	Percentage of voting rights held (owned) (%)	Relationship
(Consolidated subsidiaries)					
Socionext America Inc. (Note 1)	Santa Clara, California, U.S.A	Thousand USD 2,800	Design, development and sales of SoCs	100.0	(Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes
Socionext Europe GmbH	Langen, Germany	Thousand Euros 11,400	Design, development and sales of SoCs	100.0	(Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes
Socionext Technology Pacific Asia Ltd. (Note 1)	Hong Kong, China	Thousand USD 6,000	Design, development and sales of SoCs	100.0	(Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes
Socionext Technology (Shanghai) Co., Ltd.	Shanghai, China	Million Chinese Yuan 12.2496	Design, development and sales of SoCs	100.0 (100.0) (Note 2)	(Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes
Socionext Taiwan Inc.	Taipei, Taiwan	Thousand NTD 29,000	Design, development and sales of SoCs	100.0 (100.0) (Note 2)	(Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes
Socionext Korea Ltd.	Seoul, Korea	Million KRW 400	Sales of SoCs	100.0	(Business relationship) Sales of the Company's products (Interlocking directorate, etc.) Yes
(affiliate accounted for by the equity method)					
Trinity Semiconductor Research LLC	Nakahara-ku, Kawasaki, Kanagawa	Million Yen 0.5	Ownership, management and utilization of patent rights	50.0	(Business relationship) Entrustment of patent management (Interlocking directorate, etc.) Yes

Notes: 1 It is a specified subsidiary.
2 Figures in parentheses in the “Percentage of voting rights held (owned)” column represent the ratio of indirect voting rights, which is a part of the ratio of voting rights.

5 Employees

The Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

(1) Consolidated basis

As of March 31, 2023

Number of employees (persons)	2,526

Note: The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Socionext Group but including those on secondment from outside the Socionext Group). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.

(2) Reporting company (non-consolidated basis)

As of March 31, 2023

Number of employees (persons)	Average age (years)	Average years of service (years)	Average annual salary (thousand yen)
2,167	49.4	7.3	8,588

Notes: 1 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.

2 Average annual salary includes bonuses and extra wages.

(3) Labor union

The Company has a labor union named Socionext Workers Union. The Socionext Workers Union is a member union of Federation of ALL Fujitsu Worker’s Unions.

Among our employees, the number of union members is 1,540 as of March 31, 2023. Labor-management relations have remained favorable, and there are no special matters to be noted as to the relationship with the labor union.

(4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, and wage differences between male and female workers

Reporting company and its consolidated subsidiaries	Fiscal year ended March 31, 2023					Supplementary explanation
	Percentage of female workers in managerial positions (%) (Note 1)	Percentage of male workers taking childcare leave (%) (Note 2)	Wage differences between male and female workers (%) (Note 1)			
			All workers	Full-time workers	Part-time and fixed-term workers	
Reporting company	2.3%	16.7%	71.6%	72.6%	61.3%	

Notes: 1 These percentages are calculated in accordance with the provisions of the “Act on the Promotion of Women's Active Engagement in Professional Life” (Act No. 64 of 2015).

2 This percentage is calculated based on the ratios of childcare leave, etc. taken as specified in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labour No. 25 of 1991) in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

II Business Overview

1 Management Policy, Business Environment, and Issues to be Addressed

The Group's management policy, business environment and issues to be addressed are presented below.

The forward-looking statements in this section are based on the Group's estimates and assumptions made as of the filing date of this annual securities report.

(1) Basic management policy

1) Basic philosophy

The Socionext Group defines the following common group philosophy for its mission and value.

Based upon this philosophy, we will help to bring about a prosperous society by delivering new value to our customers and to people around the world beyond them. We will do this as a valued partner of customers seeking unique and cutting-edge SoCs to differentiate their services and products. We will also do this as a partner of our suppliers providing the latest technologies in the evolving semiconductor ecosystem, including foundries, outsourced semiconductor assembly & tests (OSATs) and providers of intellectual property (IP), electronic design automation (EDA) and software.

- Mission
  Together with our global partners, we bring innovation to everyone everywhere.
- Value
  "Change"
  We adapt ourselves to the disruptive discontinuous changes in business, technology, mind, operations, and other environments.
  "Technology"
  By pursuing cutting-edge technology, we aim to become a company that supports global innovation through the development of competitive technology.
  "Growth"
  Our growth helps to deliver benefits to all stakeholders, including shareholders, customers, partners, and employees.
  "Speed"
  We respond quickly to dynamic and rapidly changing markets and customers.
  "Sustainability"
  We ensure a sustainable future by creating a cohesive society with customers and partners.
- Action Guidelines
  - Each individual takes ownership of his or her work, responds to changes in the environment, and thinks and acts independently from a market-oriented customer perspective.
  - To maintain access to growing markets and companies, we address customers' problems with effective solutions backed by the latest technologies and knowledge.
  - Each individual's willingness to take on challenges to persevere toward his or her goals and the desire to become a professional will lead to personal and company growth.
  - We make speedy decisions on an individual and organizational basis, always looking ahead and creating value for customers.
  - As a member of the global society, we will fulfill our corporate social responsibilities and contribute to the realization of a sustainable and prosperous society.
- Corporate Social Responsibility Guidelines
  - Compliance with laws, regulations and social standards
    We fully comply with laws, regulations, and social standards, thus earning the trust of society.
  - Respect for human rights
    We respect each individual's rights, and do not discriminate or tolerate human rights violations.
  - Establishing an improved work environment
    We want our employees to be happy. We respect their individuality, treat them fairly and aim to create a healthy and comfortable work environment.
  - Environmental considerations
    We conduct our business with consideration for the global environment.
  - Promoting fair trade
    Our relationships with our customers and suppliers are built on trust, in accordance with the principles of fair trade.
  - Information management
    We carefully manage and ensure the confidentiality company information, third party information from our customers and suppliers, and personal information.

- Respect for intellectual property
  We value and protect intellectual property, which is the primary corporate asset.

2) Management policy
To pursue the above basic philosophy, the Group is developing and providing SoCs through our own distinctive Solution SoC business model for customers wanting leading-edge custom SoCs, whereby we combine an optimal mix of technologies to implement the functions they require. Along with the automotive, data center & networking, and smart devices fields that represent our leading growth sectors, we are also seeking to combine regional balance with the winning of more business from global customers in the industrial field and in IoT & radar sensing.

Through our business activities, our goal is to earn the trust of our customers, position ourselves as the top SoC supplier to major global and growing companies, and support our customers' growth. Simultaneously, we contribute to addressing societal issues by applying our company's low-power technologies, to name a few. Furthermore, by engaging in collaborative development with our customers, we strive to establish a virtuous cycle of growth for both our engineers and the company. This growth enhances corporate value, thereby generating returns for our shareholders.

(2) Business environment, and issues to be addressed
1) Business environment
In recent years, the widespread use and integration of various innovative technologies such as networks, clouds, and AI, have given rise to a wave of novel services and products, including autonomous driving and AR/VR. The demand for custom SoCs is growing, as companies offering these services/products increasingly require their own SoCs to differentiate their services and products.
On the other hand, advancements in the semiconductor industry ecosystem now allow access to cutting-edge technologies, ranging from IP, EDA tools, and software to processing, assembly, and testing—core technologies for custom SoC development. However, the expanding options to fulfill differentiation requirements have added complexity to the development of distinctive SoCs through optimal combinations.

Against this backdrop, there is a growing demand for the Solution SoC business model provided by partners connecting customers seeking to develop their own custom SoCs with the evolving semiconductor ecosystem.
As of 2022, the market for custom SoCs, including those developed using the Solution SoC business model, amounted to 24 billion U.S. dollars (*2). Excluding companies that exclusively provide custom SoCs for their own products, the market was 12 billion U.S. dollars (*2), with the Group holding the second-largest market share (*1) at approximately 10%. While the average annual growth rate of the semiconductor market as a whole is 2.6% (*2) between 2021 and 2025, the custom SoC market is expected to grow at an average annual growth rate of 9.8% (*2) over the same period. Furthermore, the Group's focus areas (automotive, data center & networking, and smart devices) were a market size of 5.6 billion U.S. dollars as of 2022 (*2), and the annual average growth rate is expected to be even higher at 15.3% (*2) during the period mentioned above.
As of the filing date of this report, we acknowledge that the shortage of production capacity among semiconductor manufacturing companies (foundries and OSATs) caused by the increased global demand for semiconductors, which has persisted since the second half of the fiscal year ended March 31, 2021, has been mitigated with a focus on advanced technologies.

*1 The Company made estimates using Omdia's "Competitive Landscaping Tool CLT, Annual-4Q 2022," along with the Company's internal data. The Company made estimates using its definition of Logic ASICs in this data as custom SoCs, which differ from the Company's actual target markets. In addition, the market size may vary from the actual market size because estimates were based on certain assumptions and external data. This data excludes Apple Inc., which exclusively provides custom SoCs for its own products, and traditional ASIC vendors in Taiwan.
2 The Company made estimates based on Omdia's "Application Market Forecast Tool-1Q 2023." The Company made estimates for the following data as its focus areas: Data Center Servers, Solid State Drives, Enterprise Ethernet Switches & Routers, Carrier Ethernet Switches & Routers, Optical Equipment, Broadcast & Streaming Video, Data Center Network Switches, Mobile Comm Infrastructure, Other Consumer Electronics, Connectivity & Telematics, Infotainment & Cluster, ADAS, Chassis & Safety, and Security & Video Surveillance.

2) Priority business and financial issues to be addressed
Custom SoCs are characterized by a long period of time between the acquisition of design wins and the start and end of mass production. For this reason, the Company considers the design win amount—the sum of the demand forecast for design wins newly acquired in each fiscal year—and the balance of design wins acquired—reflecting actual sales, project cancellations, changes in the sales volume forecast, and other factors—as key management indicators.

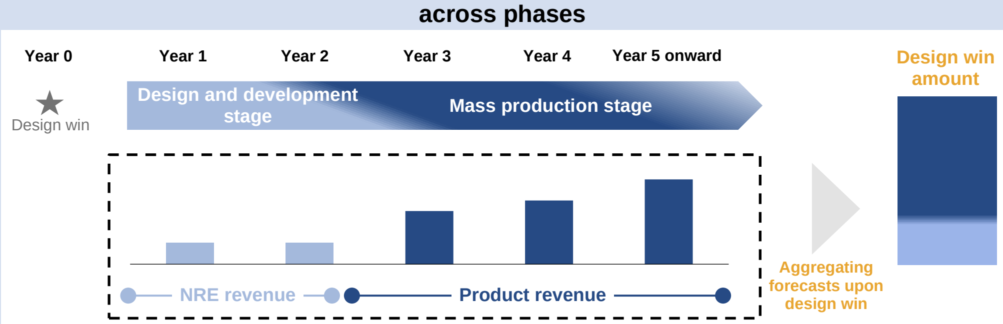
Based on these management indicators, the Group has already forecast sales through the fiscal year ending March 31, 2025 to some extent. Therefore, looking ahead to the fiscal year ending March 2026 and beyond, we recognize that it is necessary for the continuous sustainable growth of the Group to acquire the same level of design wins per year as in the current fiscal year, which is around 250 billion yen (1 U.S. dollar = 100 yen). (Please refer to “(3) Key indicators to assess the achievement of management targets” below for the “design win amount” and “balance of design wins acquired.”)

In order to achieve this goal, we have positioned the transformation of corporate culture, improvement of development competitiveness, and strengthening of the SCM system as key management issues, and will move forward with these initiatives.
First, as a global company, we will understand the needs of our overseas customers that could lead to large-scale business and build a structure that enables us to provide the products and services our customers demand.
Next, in improving our development competitiveness, we will aggressively pursue the establishment of standard development processes and upfront development investment in design environments including methodologies and tools. We will also further strengthen our relationships with global partners in the semiconductor ecosystem, including IP and tool vendors, foundries, and OSAT, and continue to participate in the activities of international standards organizations.
Furthermore, in strengthening the SCM system, we will continue to improve business processes in the production, procurement, and supply functions, and to build an optimal SCM system for the entire Group, so that we can respond in a timely manner even when the production capacity of our contract manufacturers becomes tight.
In addition to these activities, we will actively work to resolve sustainability issues such as those related to the environment and human resources.
The Group, as a global company, will contribute to society by creating new value through its unique Solution SoC business model, combining sales, development, production and procurement, and corporate functions.

(3) Key indicators to assess the achievement of management targets

Custom SoCs typically require more than 2 years to ship products and record sales after the acquisition of design wins, involving stages of design and development, as well as evaluation by the customer. The Group considers the “design win amount” and the “balance of design wins acquired” as the key management indicators, which serve as a basis of future sales forecasts, to visualize future sales forecasts from an earlier stage and to implement the necessary measures in a timely manner. The Company aims to enhance the net sales growth rate over the medium term by gathering and reviewing these indicators in its daily activities, increase gross profit through the expansion of product revenue, and enhance the operating margin by improving development efficiency and implementing other measures.
We have acquired design wins amounting to roughly 250 billion yen during the fiscal year` ended March 31, 2023, an increase from the design win amount of roughly 100 billion yen for each of the fiscal years ended March 31, 2018 and 2019, with a number of large-scale design wins, especially in focus areas where high growth is expected. As a result, the balance of design wins acquired increased from approximately 880 billion yen at the end of June 2022 to approximately 1 trillion yen at the end of March 2023.
After acquiring design wins, the Group commences the design and development of SoCs, typically receiving the majority of the associated costs from customers as NRE revenue in phases. Subsequently, after customer evaluation, we proceed to the mass production phase and record the product revenue. NRE revenue accounted for 18% of the Group's consolidated net sales for the year ended March 31, 2023. It typically takes more than 2 years from the acquisition of design wins to the completion of design and development, customer evaluation, and finally, the recording of product revenue. During this period, changes in product unit price resulting from project cancellations or specification changes could occur. Therefore, the design win amount does not guarantee future sales.

From design win to product revenue recording / Composition of design win amount across phases



The “design win amount” represents our estimate of design wins acquired during a specific accounting period, reflecting costumer demand throughout the entire sales period, which ultimately leads to future design, development and mass production, at the time when the contract for design and development was concluded with the customer (at the time of acquisition of design wins). The calculation is based on an exchange rate of 100 yen to the dollar. The design win amount serves as a forecast for customer demand, and it does not account for manufacturing capacity constraints. Additionally, we do not revise this figure based on subsequent events, such as project cancellations after the acquisition of design wins or the actual recording of sales. While the unit price of a product is agreed upon at the acquisition of a design win (with the caveat that changes in product specifications during design and development may result in adjustments to the unit price), the sales quantity remains unspecified.

After acquiring design wins, the Group commences the design and development of SoCs, receiving the majority of the associated costs from customers as NRE revenue in phases. Subsequently, after customer evaluation, we proceed to the mass production phase and record the product revenue. Typically, the duration from design win acquisition to the recording of product revenue spans more than 2 years, signifying a substantial business timeline that includes both the mass production process and its completion. For this reason, we consider the "balance of design wins acquired" as an important management indicator. The balance reflects in a timely way changes in the status of individual design wins, including fluctuations in unit price and quantity.

The "balance of design wins acquired" is the Company's estimate of the cumulative value of design wins for existing projects at a given point of time, also calculated at an exchange rate of 100 yen to the dollar. The balance of design wins acquired reflects or updates the progress or changes in the design win amount after the time of the acquisition. Therefore, it may change significantly depending on the timing of the calculation of the balance of design wins acquired. These progress or changes include: (1) the cancellation of projects after the acquisition of design wins (more than 15% and 20% of the design win amount in the fiscal years ended March 31, 2021 and 2022, respectively, were cancelled after the fact, and there is also a possibility that design wins could be cancelled after the present moment (the filing date of this report). Currently, there have been no retroactive cancellations of design wins acquired during the fiscal year ended March 31, 2023);(2) deductions associated with sales actually recorded; and (3) changes in product unit price and in expected product sales volume resulting from modifications in specifications, etc. At present, the impact of project cancellations after the acquisition of design wins, spanning from the business model transformation up to the fiscal year ended March 31, 2023, on the design win amount has been offset by increased unit prices and volumes from other design wins. In the fiscal year ended March 31, 2023, some of our customers in China experienced short-term special demand that exceeded our initial expectations. Sales associated with a portion of this special demand are expected to occur in the first half of the fiscal year ending March 31, 2024. However, the design win amount related to this special demand is not reflected in the balance of design wins acquired.

In addition to the information provided above, please also refer to "(4) Socionext Group management targets" in "3. Business Risk Factors" below for additional notes on the "design win amount" and the "balance of design wins acquired."

2 Approach to and Initiatives for Sustainability

● Basic views on sustainability

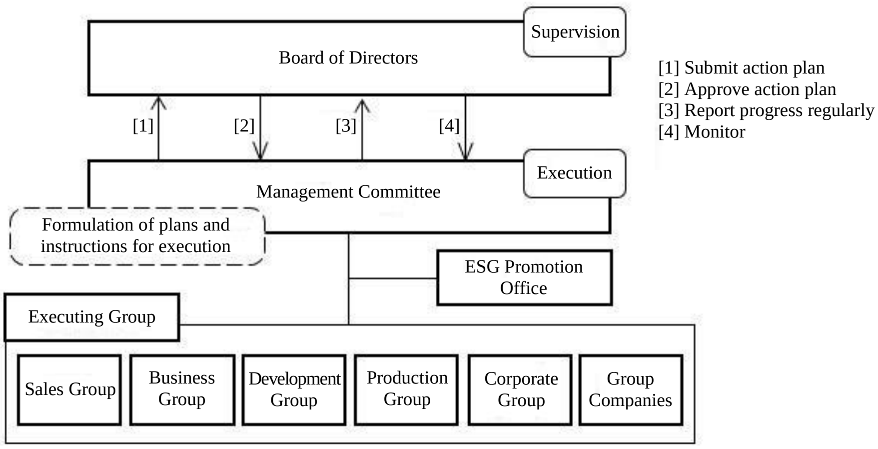
"Together with our global partners, we bring innovation to everyone everywhere." Based on this mission, the Socionext Group recognizes sustainability as a significant management challenge and we aim to contribute to bringing about a sustainable and prosperous society. Our goal is to expand the possibilities within society by delivering new value to our customers and, through them, to people everywhere. We serve as a partner to customers seeking to differentiate new services and products through the development of their own leading-edge SoCs, and as a partner to foundries, OSATs, and suppliers providing the latest technologies, including IP, EDA tools, and software, in the evolving semiconductor ecosystem.
The environment in which companies operate is undergoing major change amid rising global concern about social problems, such as diversity and respect for human rights, as well as attention to environmental problems that include global warming and climate change. At Socionext Group, we are working to fully understand the risks posed by the diverse issues facing the world and intend to pursue initiatives that will lead to their resolution.
In pursuing these activities, we are striving to understand the issues involved while also building relationships of trust, engaging in dialogue and collaborative activity with our many stakeholders, who include customers, suppliers, employees, local communities, and shareholders, with our goal being to create a sustainable society.

● Approach to sustainability information disclosure

Our disclosure of sustainability information is done in accordance with the TCFD (*1) declaration and the sustainability disclosure standards being developed by the ISSB (*2) and addresses the four topics of governance, strategy, risk management, and indicators and targets.
*1: TCFD is an abbreviation for Task Force on Climate-related Financial Disclosures.
*2: ISSB is an abbreviation for International Sustainability Standards Board.

(1) Governance

Through our business activities, the Socionext Group is working to create a sustainable society. Recognizing that we have a duty as a global corporation to fulfill our social responsibilities, we are responding to global-scale societal challenges by addressing human rights issues and environmental problems, especially climate change, at all steps along our supply chain. We take serious action for these challenges through measures that include human resource development, workforce diversity, and quality and service improvement.
The Socionext Group is putting measures in place for acting on sustainability in ways that are coordinated across relevant internal divisions, including the establishment in April 2022 of an ESG Office to facilitate ongoing management-level discussion of medium- to long-term challenges. This organizational structure provides a framework for action under the direction of the Management Committee. The Board of Directors, meanwhile, debates and approves policies and action plans for important sustainability challenges while also acting in a supervisory role, including by monitoring progress.



<Board of Directors>
The board has responsibility for making decisions on sustainability activities. It debates and approves the associated policies, strategies, and actions and also regularly monitors the progress of these actions.

<Management Committee>
The committee drafts sustainability policies, strategies, actions, and other plans for subsequent consideration by the board. It is also responsible for ensuring that actions are carried out, and issuing instructions for doing so to the operational divisions with the board's approval.

To implement these actions, the ESG Office provides support for drafting policies, strategies, actions, and other plans and for putting these into practice. It also tracks the progress of this work and reports back to the Management Committee.

(2) Strategy

1) Strategy for responding to climate change

The Socionext Group believes that it can facilitate the transition to a sustainable society by using the SoCs we supply to help our customers achieve ongoing reductions in their GHG emissions. By collaborating on development with major customers who are leaders in their global markets, our goal is to reduce the power consumption of customer products while delivering higher levels of miniaturization and integration, achieving this through the development of high-performance custom SoCs that leverage our proprietary multicore design techniques and AI engines and accelerators with low power consumption.
In the fiscal year ended March 31, 2023, we identified the following climate change “risks” and “opportunities” in our group business activities. In the future, we intend to use scenario analysis to calculate the financial and business impacts of these “risks” and “opportunities” and devise and implement more effective measures for addressing them.

<Main climate change risks and opportunities>

Category			Impact of climate change on Socionext	Action by Socionext
Risks	Transition risks	Government policy and regulation	Increased costs due to action on improving energy efficiency and reducing GHG emissions (Higher energy costs due to carbon pricing, higher costs due to adoption of energy-efficient equipment, etc.)	Timely identification of global trends and regulatory changes along with systematic investigation, implementation, and evaluation of actions. Also, determine GHG emissions in the supply chain and continue working with suppliers to reduce them.
		Technology	Higher R&D spending to maintain and improve competitiveness in the market Higher production costs to maintain and improve competitiveness in the market	Develop and distribute energy-saving and space-saving eco-friendly devices and solutions in partnership with customers and suppliers.
		Market	Falling sales due to changes in customer demand Regulation-driven increases in cost of materials, electricity, and other inputs	Develop and distribute products and services that help overcome environmental challenges. Review choice of parts and materials. Investigate adoption of renewable energy.
	Physical risks	Acute	Disruptions to outsourced production due to growing severity of abnormal weather (including in-house development and logistics)	Regular revision of business continuity plans allowing for shutdowns or other disruptions at contract manufacturers. Study of potential cost savings through more efficient use of electric power at workplaces and data centers.
		Chronic	Disruptions to outsourced production due to water shortages Higher air conditioning costs at data centers and other facilities due to rising air temperatures	
Opportunities		Efficient resource use	Lower costs through more efficient use of resources (energy and water) at data centers and other workplaces	Lower costs through more efficient SoC development (use of proprietary multicore design techniques and AI engines and accelerators with low power consumption)
		Products and services	Higher demand, especially for products with low power consumption that help customers reduce GHG emissions and use energy more efficiently	Development and distribution of energy-saving and space-saving eco-friendly devices and solutions.
		Market	Higher revenue by leveraging low-power-consumption technologies to expand into new businesses	Leverage low power consumption and miniaturization to expand into new businesses, especially SoCs for ADAS/AD and data centers.

2) Human capital strategy

The Company believes that fostering collaboration among diverse employees and organizations to mutually enhance capabilities will establish the groundwork for cutting-edge technology, global developmental competitiveness, and sustainable growth. This approach will bring us closer to fulfilling our mission: “Together with our global partners, we bring innovation to everyone everywhere.”
The Company views human resources as the source of corporate value and is committed to actively “fostering an environment that allows diverse human resources to maximize their capabilities and supporting their growth.”
In the “CSR Guidelines,” constituting our basic philosophy, we declare, “We want our employees to be happy. We respect their individuality, treat them fairly and aim to create a healthy and comfortable work environment.” In addition, we are implementing diverse measures to enhance the environment and develop human resources, as described below.

<Improvements to the workplace environment>
The Company strives to foster a corporate culture that is welcoming of people with different personalities, attitudes, and values and in which they are able to fulfil their potential.
The Company recruits and appoints staff regardless of factors such as nationality, gender, or age, and is working to create an environment in which a diverse range of people can thrive in their work. The key initiatives are outlined as follows:

Support systems	Childcare leave system, shorter working hours for childcare, subsidies for childcare costs Leave of absence (child plans, nursing care, etc.) Accrued leave system (child-rearing, nursing care for the sick and elderly, etc.)
Ensuring diversity	Enhancement of post-retirement re-employment system, ongoing recruitment initiatives for individuals with disabilities, and improvements to the workplace environment Operation of a massage room where employees with visual impairment offer massage services Routine in-house work substitution system for employees with mental disabilities Recruiting and supporting global talents (new graduates joining the Company in October, language training subsidies, etc.)
Creating an employee-friendly workplace environment Diversity of work styles	Flexible working arrangements with no core component, work-from-home system for nursing the sick and elderly Operating a flexible work-from-home system, reducing excessive overtime HR system for engineers, creating an environment where engineers can focus on development Educational program on harassment prevention for all employees

<Human resource development>
With our leading-edge SoC solution business, we at the Company seek to live up to the many expectations of our stakeholders (including customers, suppliers, employees, and local communities). We will do so by striving to achieve sustainable growth as a company that supports global innovation through the pursuit of advanced technologies while also adapting to discontinuous change.
To achieve this, we undertake human resource development initiatives to ensure that we can continue to foster more talented professionals who take ownership of their work and are willing to tackle challenges as enthusiastic self-starters. The Company has developed various educational programs to enable employees to learn in a self-directed and enthusiastic manner, fostering independent career development. We engaged in the following employee education initiatives in the fiscal year ended March 31, 2023.

	Training summary	Training time per employee
Job-level-specific training	Training for new recruits and for newly appointed managers, etc.	1.3 hours
General training	All employees attend an annual e-learning course Topics include compliance, information security, insider trading, preventing harassment, the environment, procurement, and the law on security-related export controls	4.6 hours
Targeted training	Technical training for engineers, language studies, etc.	5.5 hours
	Total	11.4 hours

1) Employee upskilling
We encourage motivation and skills development as we work to create an environment in which employees are able to take action on their own initiative from an early stage.
Introductory training after joining the Company, as well as follow-up training at six months, one year, and 2 years after joining, is provided to develop basic business skills such as communication skills and compliance. In addition, during the first 2 years after joining, as a trainee system, employees build up their workplace skills and experience through on-the-job training (OJT) under the supervision of more senior colleagues, based on a personalized human resource development plan for young employees.

2) Training for newly appointed managers
When managers are appointed, they are provided with the opportunity to acquire knowledge and skills in areas such as management, communication, and accounting that will be essential in their new role, including through engagement with board members, group training, and remote learning.

3) General education
We provide e-learning on topics relevant to all employees, including compliance, information security, insider trading, preventing harassment, the environment, procurement, and the law on security-related export controls. All employees take these courses.

4) Education for engineers
To train engineers who are able to work globally, the Company encourages autonomous career development, offering a dual-track career path structure targeted at technical engineers and project managers, respectively. All engineers are given the opportunity to demonstrate the required experience and skills as well as having monthly one-on-one meetings with their supervisors.

We also provide opportunities for engineers to gain experience and skills through technical courses, audiovisual training materials, on-the-job training, and development process training.

5) Language education

Employees have access to a variety of opportunities to enhance their international communication skills, including online English conversation lessons, language schools, and TOEIC exams, supported with fee subsidies.

(3) Risk management

To mitigate and reduce management and business risks, the Socionext Group conducts a bi-annual, company-wide risk management review. Sustainability risks such as climate change, human resources, and diversity are treated as important elements in this framework, which involves assessing risk, formulating and implementing actions, and assessing outcomes on a regular basis.

(4) Indicators and targets

1) Indicators and targets for climate change response

GHG emissions (Scope 1(*3) and Scope 2(*4)) by the Group for the fiscal year ended March 31, 2023, were approximately 8,534 t-CO_2. Although emissions rose year-on-year due to business growth, emissions per unit of sales revenue fell.
We have set a goal for the group of becoming carbon neutral by 2050 in terms of both Scope 1 and Scope 2 emissions, and we are continuing to investigate and implement reduction measures that will help us achieve this goal.
*3: Direct greenhouse gas (GHG) emissions by the organization
*4: Indirect GHG emissions associated with consumption of electric power, heat, or steam supplied by other companies

[GHG emissions]

	FY ended March 31, 2022 (t-CO2)	FY ended March 31, 2023 (t-CO2)
Scope1	318	235
Scope2	6,971	8,299
Total	7,289	8,534

[GHG emissions per 100 million yen unit of sales revenue]

	FY ended March 31, 2022 (t-CO2)	FY ended March 31, 2023 (t-CO2)
Scopes 1 and 2	6.23	4.43

2) Indicators and targets for human capital

<Active engagement of female workers>

The Company has taken steps to create an environment in which women can successfully combine work and family commitments, with systems in place that allow for shorter working hours, various types of leave of absence or vacation, and subsidies for the cost of childcare.
We are also striving to create a workplace that is healthy and pleasant for a diverse workforce that includes women. To this end, we have prioritized measures for preventing excessive overtime and are pursuing greater diversity in working practices by offering options such as work-from-home and flexible working arrangements with no core component.
We also intend to improve workplace attitudes and culture through extensive training for young and female employees while also facilitating greater involvement by female leaders and encouraging participation by male employees in childcare.
The percentages of female managers, the gender wage gap, and male workers taking childcare leave are as follows. Further action is planned to help improve these numbers through these initiatives.

[Percentages of female managers, gender wage gap, and male workers taking childcare leave]

	FY ended March 31, 2021	FY ended March 31, 2022	FY ended March 31, 2023
Percentage of female managers	2.4%	2.4%	2.3%
Gender wage gap	69.0%	70.2%	72.6%
Percentage of male workers taking childcare leave	25.0%	25.9%	16.7%

Note: The figures presented above represent the non-consolidated results.

<Senior employees>
The Company has established a post-retirement re-employment system that allows employees who wish to continue working beyond the retirement age of 60 to remain in employment until the age of 65.
We are striving to create an environment where senior employees actively contribute to the Company by utilizing their accumulated experience, knowledge, and skills. As of March 31, 2023, approximately 170 senior employees have remained engaged within the Company.

<Employment of individuals with disabilities>
The Company is actively hiring more people with disabilities and is working to create an environment in which people with various types of disabilities can thrive. To expand opportunities for employees with disabilities, the Company has also set up its Healthkeeper Program run by five staff with visual impairment that provides massages to employees and the Challenge Staff Program in which five staff with mental disabilities take on routine in-house work.
As a result of these initiatives, the ratio of employees with disabilities to all employees reached the statutory employment rate of 2.3%. The Company intends to hire more people with disabilities in the future and to provide them with steady and ongoing employment.

<Global personnel>
The Company is promoting both new recruits and mid-career hires without regard for nationality throughout the year, and it subsidizes the cost of Japanese language training. Approximately 50 employees of overseas nationalities actively participate in the Company's operations.

There is no assurance that the initiatives and measures outlined in “2 Approach to and Initiatives for Sustainability” will yield the effects anticipated by the Company. Furthermore, the targets and other forward-looking information mentioned above rely on the Company's understanding, analyses, and judgment as of the filing date of this report, and actual results may materially differ from such information.

3 Business Risk Factors

Out of the factors listed in our annual securities report that relate to the company's business or financial information, the following are recognized by the Company managers as major risk factors that could potentially have a significant influence on the financial position, operating results, and cash flows on a consolidated basis.
The forward-looking statements contained in this report represent the judgment made by the Socionext Group as of the filing date and may not encompass all potential risks that could emerge in the future.

- Basic approach to risk management and its system

For the successful global expansion of its business activities, the Group needs to identify all risks arising from complex and diverse changes in the business environment at an early stage and take appropriate measures to realize its management and business strategies.
The Group systematically and continuously extracts and assesses risks, designating a responsible officer for each identified risk item, and then formulating and implementing corresponding countermeasures.
Furthermore, concerning these initiatives, we have implemented a system for regular reporting to the Board of Directors. This ensures the thorough examination of the comprehensiveness of assumed risks, the effectiveness of diverse measures, progress status, etc. We are working to enhance risk management, thereby minimizing the likelihood of risk occurrence and mitigating potential losses.

- Risks surrounding management and business

(1) Contract manufacturers

The Group allocates its management resources mainly to design and development, employing a fabless business model. This approach involves outsourcing the production of products, freeing the Company from substantial capital investment constraints and enabling agile business promotion. Production is outsourced to both domestic and overseas contract manufacturers, such as foundries and OSATs. Consequently, there are associated risks in this type of business as follows:

1) Limited number of contract manufacturers

The Group outsources semiconductor manufacturing to contract manufacturers in Taiwan, Japan, China, Singapore and South Korea. Specifically, the Group may face constraints in securing contract manufacturers for its cutting-edge technology products and those demanding high quality and reliability, such as automotive products. In particular, we entrust a significant volume of products for the pre-process of semiconductor manufacturing to Taiwan Semiconductor Manufacturing Company Limited (TSMC). As a result, the supply of products to the Group's customers is affected by the policies of the contract manufacturers, as well as limitations arising from technical capabilities and manufacturing capacity. In the rapidly evolving semiconductor industry, the Group may encounter challenges in outsourcing production to contract manufacturers if they fail to keep pace with technological advancements or if raw material and fuel prices soar. However, there is no assurance that the Group will successfully secure a new contract manufacturer in a timely and reasonable manner, given constraints such as contract terms, business relationships, and customer preferences. In recent years, the rise in global demand for semiconductors and the repercussions of the COVID-19 pandemic on the supply chain have hindered the procurement of raw materials for our products, thereby constraining the manufacturing capacity of our contract manufacturers. In response to this situation, our contract manufacturers took measures to expand their manufacturing capacity individually in each country. Consequently, the manufacturing capacity of leading-edge semiconductor manufacturers with whom the Group places orders will gradually increase. Starting from the fiscal year ending March 31, 2024, the constraints on the Group's manufacturing activities due to capacity shortages at contract manufacturers will be largely mitigated. Nevertheless, there is no assurance that the constraints on manufacturing capacity will be completely eliminated as anticipated by the Group. Furthermore, the Group's product supply may encounter delays if a contract manufacturer is constrained by insufficient water, energy or wastewater treatment capacity for semiconductor manufacturing.
While the Group is well-prepared for unforeseen circumstances, including securing multiple contract manufacturers, the rapid shifts in the industry environment, geopolitical factors, and technological innovations inherent in the semiconductor industry restrict its ability to accurately forecast future demand. Should delays or interruptions in product supply arise due to limited manufacturing capacity, there is a risk of the Group's reputation deteriorating, and customers may file claims for damages. As a result, the Group's business, financial position and operating results may be adversely impacted.

2) Prices for contract manufacturing

Given the Group's limited number of contract manufacturers and the absence of long-term contracts with them, the Group is susceptible to cost increases in contract manufacturing. These escalations may arise due to production capacity constraints, soaring raw material and fuel prices (including those influenced by the conflict in Ukraine), labor costs, foreign exchange fluctuations, and other relevant factors. In fact, in recent years, the global semiconductor shortage, fueled by an upsurge in worldwide demand, has resulted in heightened contract manufacturing costs for major players, including TSMC. As contracts between the Group and its customers typically lack provisions for adjusting prices in response to price increases initiated by contract manufacturers, the failure to properly pass on these increases to customers can lead to a substantial reduction in the Group's profit margin. Under such conditions at contract manufacturers, the Group's business, financial position and operating results may be adversely impacted.

3) Product quality

The Group's products may be susceptible to yield reduction or product defects attributable to the performance of contract manufacturers. Detecting these issues early in the manufacturing process is challenging, and rectifying them can require a substantial investment of time and financial resources. In such a case, transferring production to another contract manufacturer or site becomes difficult due to the absence of viable alternatives or the substantial investment of time and financial resources required for the transfer.

In the event of yield reduction, product defects, or other manufacturing issues affecting the Group's products, customers may file claims for damages arising from delays, an inability to supply the products, or project cancellations. Addressing such a claim, even if not approved, will demand a considerable investment of time and financial resources. In addition, it may be difficult to claim reimbursement from any contract manufacturer even if the issue is attributable to them. For this reason, the Group's business, operating results, financial position, brand image, and social credibility may be adversely impacted.

(2) Design and development of Socionext Group products

The Group's products are designed and developed for manufacturing following the acquisition of design wins. However, the duration from design and development to the completion of customer evaluation can extend up to 2 years or longer. Throughout this period, shifts in the market environment for semiconductors and final products, alterations in customer strategy and demand, the introduction of new technologies to the market, and changes in manufacturing capacity or workload of contract manufacturers may lead to specification changes or project cancellations by customers. In addition, there is a possibility that the development of products meeting customer requirements or their manufacture at prices and quantities acceptable to customers may prove to be unsuccessful. In the event of a project cancellation during the design and development stage, no product revenue will be generated.

Moreover, although the Group usually receives the majority of design and development costs from customers as NRE revenue during this stage, if a project is terminated at the design and development stage as mentioned earlier, the Company may face challenges in collecting NRE revenue for the remaining period. Additionally, NRE revenue may not fully offset all the costs incurred during the design and development stage, potentially leading to losses on certain projects. Furthermore, product revenue accounts for the majority of the Group's net sales, and the scale of each project tends to grow in the Group's focus areas. Consequently, alterations in product prices or quantities, as well as delays or cancellations of certain projects, will exert a greater impact on the Group's future operating results. Accordingly, the cancellation of an important project or multiple projects during the design and development stage could have a material adverse impact on the Group's business, financial position and operating results.

(3) Mass production of Socionext Group products

Upon completion of the design and development, the product will advance to the mass production stage. While the unit price of the product has been agreed upon with the customer at the time of the acquisition of design win (although it is subject to change due to specification alterations), the quantity of the product is not pre-determined. It will be established through individual orders from the customer at the mass production stage. Hence, there is no assurance that the customer will purchase the quantity of the product during mass production as initially anticipated by the Company at the time of acquiring the design win. Therefore, if the expected quantity is not materialized in mass production, the Group's business, financial position and operating results may be adversely impacted.

(4) Socionext Group management targets

As described in the above “(3) Key indicators to assess the achievement of management targets” in “1. Management Policy, Business Environment, and Issues to be Addressed,” the Group regards the “design win amount” and the “balance of design wins acquired” as important management indicators. The calculation of the design win amount and the balance of design wins acquired involves a substantial reliance on forward-looking projections and subjective judgments by the Group, including assumptions and estimates related to development plans, development costs, NRE revenue, product unit prices, and future product sales volumes (the price is subject to change due to specification alterations; however, a mutual agreement will be reached at the acquisition of the design win), as well as estimates on the product's sales availability and the probability of order cancellations. The sales volume of the product is determined through a combination of factors, including the initial quantity estimate provided by the customer, the Group's independent forecast derived from historical transactions with the customer, market data obtained from third parties, and other relevant information. However, constraints stemming from manufacturing capacity, such as order restrictions imposed by the contract manufacturer, are not taken into consideration. As such, the Company calculates the design win amount and balance of design wins acquired using its distinctive method. Therefore, comparisons with similar indicators used by other companies may not be appropriate, and such indicators should not be considered dependable for comparing the current and future performance of the Company and other companies. While the Group has established internal procedures for review by the monitoring division and approval by management to prevent overstated estimates on the amount and balance of acquired design wins, the effectiveness of these procedures cannot be guaranteed. In addition, the design win amount acquired in a given period is a reflection solely of the Group's assumptions and expectations at the end of that period and has not been updated to account for subsequent cancellations, actual sales recorded in connection with such projects, or changes in the development process, the Group's expectations of future product sales volume, product unit price, manufacturing capacity, or other factors that may occur ex post. which may render year-to-year comparisons inappropriate. The balance of design wins acquired is updated on a monthly basis to incorporate these factors. However, despite these updates, it remains an estimate at the time of the update, and there is no assurance of the accuracy of these estimates. The Group may change the method of calculating the amount and balance of acquired design wins in the future, and it has done so in the past.

Due to these limitations, the amount and the balance of design wins acquired are not indicative of the Group's projected future performance and may differ materially from actual sales.

(5) Assumptions used in business planning

In order to respond to daily changes in market conditions and achieve sustainable growth, the Group is implementing various measures aimed at formulating and executing business plans while enhancing its organizational strength. In formulating these business plans and various measures, certain assumptions are made about the business environment, including market trends in semiconductors and final products. These assumptions include, for example, that the Group will continue to acquire design wins in its focus areas with growth potential, that the design win amount and the balance of them will be realized as NRE revenue and product revenue in accordance with demand forecasts, that the manufacturing capacity of contract manufacturers will be secured as expected by the Company, and that exchange rate fluctuations will remain within a certain range. However, should these assumptions diverge from reality, it may be difficult to implement various measures and achieve management indicators in the Group's business plans. This, in turn, may have an adverse impact on the Group's business, financial position and operating results.

(6) Key customers

The Group has acquired design wins in the focus areas of automotive, data center & networking, and smart devices. The proportion of sales to key customers in these areas is expected to increase in the future. However, sales to key customers may fluctuate significantly due to the timing and scale of the design wins, product revenue resulting from the design wins, diversification of the Group's customer base, changes in consumer preferences, industry trends, changes in laws and regulations, natural disasters, and other factors. Transactions with customers in the Group are based on individual purchase orders. As customers have no long-term purchase obligations. there is no assurance that they will purchase the quantities anticipated by the Company. Key customers may postpone or halt the market introduction of their final product. They may also cease adopting the Group's products if the functionality and performance, or development schedule of the Group's products fail to meet their requirements. Key customers may decrease their orders for the Group's products or defer delivery dates if their final products, which incorporate the Group's products, experience poor sales. Furthermore, the Group's key customers may reduce their purchases of the Group's products in response to a decline in their competitiveness or as a result of M&A or alliances. Additionally, they may seek to revise the terms of the agreements with the Group in their favor. These factors may adversely impact the Group's business, financial position and operating results.

(7) Overseas business activities

The Group's customers span diverse global regions, prompting the establishment of sales offices in key areas of the United States, Europe, and Asia. This approach allows the Group to tailor its sales activities to align with the unique characteristics of each region. We recognize the inherent risks associated with international business operations, including geopolitical stability, political and economic conditions specific to each country, potential delays in overseas transportation and production, escalating costs, fluctuations in foreign exchange rates, newly established or amended laws and regulations pertaining to foreign capital controls and intellectual property rights, etc., as well as changes in taxation systems. The manifestation of these risks may adversely impact the Group's business, financial position and operating results.

(8) Economic conditions

The Group has experienced the impact of global economic trends, variations in end-product demand, technological innovations, product obsolescence and price declines, as well as market fluctuations within the semiconductor industry. Currently, the uncertainty in economic conditions is heightened by escalating interest rates and advancing inflation due to monetary tightening policies across different countries. Simultaneously, there are concerns about the impact on financial markets stemming from the failure of certain financial institutions in Europe and the United States. Although there has been a recent upswing in demand for semiconductors, there is no assurance that this growth will be sustained at the same level or maintain its current strength in the future. In particular, the Group's focus areas of automotive, data center & networking, and smart devices are vulnerable to the downturn in automobile demand caused by the COVID-19 pandemic and the surge in online entertainment and communication trends, changes in consumer preferences for smart devices, a deceleration in the development of 5G infrastructure, and reduced demand for ICT facilities at data centers and other companies. Consequently, the growth in demand in these areas may not align with the Group's expectations. The Group's business, financial position and operating results may be adversely impacted in stagnant or declining economic conditions, including these factors.

(9) Exchange rate fluctuations

The Group engages in design, development, manufacturing, and sales activities on a global scale, with a substantial portion of its revenue derived from overseas. Therefore, the Group is exposed to exchange rate fluctuations, especially in the U.S. dollar. While the Group is actively working to mitigate the impact of exchange rate fluctuations, completely eliminating such impact is not feasible. Consequently, depending on the dynamics of exchange rate fluctuations, the Group's operating results and financial position may be adversely affected by the impact on net sales from transactions in foreign currencies, as well as design and development, manufacturing and marketing costs denominated in foreign currencies.

(10) Competition

While we recognize the uniqueness of the Group's custom SoC manufacturing business model with few direct competitors, we are still competing with vendors involved in traditional ASICs, general-purpose ASSPs, and ASICs designed by ASSP vendors in individual design wins.

The Group's semiconductor products and services are mainly employed in a variety of electronics products that demand advanced technologies. As a result, the Group is exposed to intense market competition driven by the rapid evolution of technology in this field. Competition may intensify due to such factors as enhanced design and development capabilities of competitors, the emergence of new entrants from different industries, the expansion of in-house SoC manufacturing beyond a few tech giants currently implementing it, development trends among traditional ASIC and general-purpose ASSP vendors, customer preferences and demand, preferential treatment of local companies by governments, and integration and alliances among competitors. In addition, while we recognize the Group's current superior position in the automotive area among the Group's focus areas, there is a possibility that maintaining this position may be challenging, given factors such as technological innovations and aggressive strategies employed by other companies. On the other hand, in existing markets such as data centers and networking, where competition is more intense, the Group strives to secure additional design wins by leveraging its strength in providing more optimal custom SoCs for customers through collaborative development, and by investing in R&D for cutting-edge areas and offering diverse products. Nevertheless, the effectiveness of these measures is not guaranteed.

(11) Geopolitical risk

In recent years, the Group's semiconductors have been recognized as vital products for economic security. However, the imposition or reinforcement of export control regulations, tariffs, sanctions, and similar measures by countries in response to emerging geopolitical risks such as the U.S.-China trade friction and the Russian invasion of Ukraine, or heightened concerns about the Taiwanese contingency, could lead to a decline in demand for the Group's products in its key sales areas, reduced competitiveness, and a disruption or delay in supply chains. As a result, the Group's business, financial position and operating results may be adversely impacted. Given the upward trajectory of net sales in China within the Group and the large portion of manufacturing outsourced to TSMC, the emergence of geopolitical risks in these regions may have a material adverse impact on the Group's business, financial position and operating results.

(12) Research and development activities

The semiconductor industry in which the Group operates is undergoing rapid technological innovation, which introduces the possibilities of the obsolescence of existing technologies, the emergence of new markets, and the contraction of existing markets. In this industry, the development of new products that fulfill stricter customer demands and their manufacturing at prices and quantities acceptable to customers require substantial R&D costs. Without the mitigation of these costs through the acquisition of design wins and future product revenue, the risk of incurring losses may become imminent. The Group intends to further engage in proactive R&D activities. However, if the Group fails to respond to such technological innovations, resulting in a decline in the Group's market share and product prices, or if R&D costs increase due to an inability to streamline R&D activities, the Group's business, financial position and operating results may be adversely impacted.

(13) Impact of global pandemics due to COVID-19 or other infectious diseases

If business activities are prohibited or restricted due to the spread of COVID-19 or other infectious diseases in regions, such as Taiwan, where the Group, the Group's contract manufacturers and suppliers in the supply chain operate, unforeseen events including plant closures and production stoppages at contract manufacturers, associated delays in manufacturing and transportation, and restrictions on material procurement could potentially decrease demand for the Group's products and restrict its supply capacity. Moreover, there is a risk of the deterioration of business conditions among the Group's suppliers and potential disruption to public and private business infrastructure, including telecommunications, finance, and supply chains.

(14) Impact of disasters or other emergencies

The Group engages in design, development, manufacturing, and sales activities not only in Japan but also internationally. In the event of a large-scale earthquake, tsunami, drought, storm, flood, heavy rain, volcanic eruption, or any other natural disaster, fire, power failure, epidemic of infectious disease, war or conflict, terrorist act, political or social disturbance, security breach, computer system failure, or any other accident or incident in any of the regions where the Group operates, substantial damage could be inflicted on the Group's business sites, its contract manufacturers, suppliers, customers, and other entities involved in the supply chain. In particular, the Group outsources a large portion of its manufacturing operations to TSMC, based in Taiwan. Should such a disaster occur in Taiwan, the manufacturing and supply of products may be adversely impacted.

The Group has established norms and regulations related to business continuity, with the aim of preventing and avoiding risks, ensuring the safety of human life during a disaster, controlling and mitigating damage, preventing secondary disasters, and expediting the resumption of operations. The Company has implemented risk mitigation measures; however, there is no assurance regarding their effectiveness, and this may adversely impact the Group's business, financial position, and operating results.

(15) Financing

The Group must make ongoing investments in research and development to advance new technologies and products. While the Group has primarily financed its operations through cash flows from operating activities so far, it intermittently considers securing funds based on performance, funding requirements, market conditions, and associated forecasts. However, there is no assurance that the Group will secure the required funds for its future financing needs in a timely manner and under acceptable terms. There is also a possibility that the Group may encounter challenges in securing funds on favorable terms due to financial market turmoil, changes in the monetary policies of central banks, including the Bank of Japan, a downturn in the semiconductor industry, changes in the lending policies of financial institutions, and a potential decline in the Group's creditworthiness. Consequently, financing costs may escalate, including heightened interest rates on debt and stock dilution, leading to the inability to carry out timely and appropriate research and development, as well as various essential investments.

(16) M&A, joint ventures, etc.

In the semiconductor industry, mergers, acquisitions, and alliances are commonly undertaken. The Group may engage in mergers, acquisitions and alliances to secure technology and significant customers, broaden its business scope, bolster competitiveness, and enhance profitability. However, there is no assurance that the Group will successfully identify a suitable target company or partner. In addition, due diligence may not uncover significant issues, and restrictions on business activities stemming from competition laws and other regulations may impede the Company from achieving the expected outcomes. In such cases, there may be an impairment to shareholdings and goodwill, giving an adverse impact to the Group's business, financial position, and operating results.

(17) Intellectual property rights

The Group develops and possesses diverse technologies and expertise to differentiate its products from those of other companies. The Group safeguards these technologies and expertise as intellectual property rights. To avoid the risk of intellectual property rights being leaked or misused, the Group has implemented measures such as assigning information management to an exclusive division, executing confidentiality agreements with employees, and regulating access to offices and facilities for third parties, and so forth. However, in certain regions, there is a lack of adequate protection for intellectual property rights. Despite the measures implemented, the Group's intellectual property rights may still be acquired or exploited improperly by competitors.

Additionally, certain products of the Group are manufactured and sold under licenses obtained from third parties. There is a potential risk that the Group may face challenges in obtaining the necessary licenses from them, or may be constrained to use licenses under unfavorable conditions. Moreover, the semiconductor industry is characterized by a multitude of patents, with the continuous and rapid generation of new patents. If the Group or its customers infringe upon the rights of a third party, despite a prior investigation, the third party may bring an intellectual property lawsuit against the Group or its customers. This legal action may result in the Group losing access to crucial technology. If found liable, the Group may face substantial damages. Even if not deemed liable, responding to the lawsuit may still involve significant expenditure of time, financial resources, and other management resources.

(18) Product liability

The Group is implementing various quality control measures to ensure optimal quality. However, given the sophistication of the technology employed in the Group's products and potential defects arising from contract manufacturers, there is a possibility of defects or abnormalities that may go undetected at the time of shipment. These issues may only be discovered after the products have been shipped to customers. In this case, there is a possibility of incurring substantial costs arising from product collection, replacement, suspension, etc., a risk of facing legal action for damages by the customer concerned, and potential loss of future orders from the customer or others.

Also, depending on how the Group's products are incorporated into the final product sold by its customers to end users, the Group may be held liable by end users. Customers are using the Group's products in various ways, some of which the Group had never initially expected. Issues may surface only after the Group's products are integrated into customers' products. In such cases, the Group may also be subject to claims by the end user. In anticipation of such events, the Group has secured product liability insurance and recall insurance. However, there is no assurance that these policies will comprehensively cover the substantial costs and damages the Group may need to bear.

(19) Recruitment and retention of human resources

To ensure the Group's competitive advantage in a challenging business environment, it is important to secure talented personnel in the areas of management, business management, design and development, manufacturing technical support, and sales. However, the availability of highly specialized and talented human resources is limited, and the competition to recruit and retain such personnel is intensifying. Engineers play a crucial role in the design and development of the Group's custom SoCs, in particular. The Group's inability to recruit and retain a sufficient number of talented individuals, including engineers, may negatively impact the design and development process. Further, the movement of highly specialized and talented personnel from the Group to competitors may undermine the Group's competitive advantage due to the leakage of the Group's knowledge and expertise. For this reason, the Group's business, financial position, operating results, brand image, and social credibility may be adversely impacted.

(20) Information security

The Group employs a range of information systems across all its business activities. System failures may arise from disasters, wars, terrorist acts, computer virus infections, cyber attacks, and other potential risks. Additionally, with shifts in working styles, such as a rise in the number of employees working from home amid the COVID-19 pandemic, there is an increased risk of encountering new cyber attacks and other threats. When these risks accompany the disruption of the Group's business activities, contract manufacturing and supply, crucial data loss, substantial response costs incurred, and other challenges, the Group's business, financial position, operating results, brand image, and social credibility may be adversely impacted.

In addition, the Group possesses a substantial amount of confidential and personal information pertaining to itself, its customers, and other third parties associated with the implementation of its business activities. The Company has established a security system and manages such information in accordance with laws and internal regulations. However, given the diverse and undetectable methods of fraud and sabotage, coupled with the potential for intentional leakage by persons concerned, preventive measures may not be effective, leading to the possibility of information leakage through unforeseen events. In the event of such a situation, the Group's business, financial condition, and operating results may be adversely impacted by the loss of trade secrets, diminished competitiveness, erosion of customers' trust and social credibility, as well as the necessary costs for system repairs and other measures, along with potential claims for damages from customers.

(21) Environment

The Group is subject to various environment-related laws and regulations around the world concerning air pollution, water pollution, hazardous substances, waste treatment, product recycling, global warming prevention, energy conservation, and more. While the Group conducts its business operations in strict adherence to these regulations, whether through negligence or not, the organization may bear legal or social responsibility for environmental issues, including those from the past. In the event of such circumstances, there is the potential for substantial costs associated with addressing these problems, the risk of business cessation, and the possibility of a decline in the Group's social credibility. Additionally, in the future, with more stringent environmental regulations and social requirements, the business activities of the Group and its contract manufacturers may be restricted, and the cost of adhering to such regulations may increase. Failure to adequately comply with environmental regulations and social requirements may not only pose a risk to the social reputation and credibility of the Group but may also adversely impact the Group's business, financial position and operating results.

(22) Regulatory

The Group operates on a global scale and is subject to various laws and regulations concerning security, foreign trade management, labor, competition policy, taxation, anti-corruption, and environmental protection in the countries and regions where it conducts its operations. The Group has established an internal system necessary for developing a compliance framework for relevant laws and regulations and for optimizing business operations. However, there is no assurance that this system will function properly, and the establishment or modification of such laws and regulations may present difficulties in maintaining compliance. Violations of these laws and regulations may lead to civil damage claims against the Group and result in criminal or regulatory penalties. Such consequences may adversely impact the Group's business, financial position, operating results, brand image, and social credibility.

(23) Litigation

Given the Group's global operations, there is a risk of legal actions from suppliers, employees, competitors, and other stakeholders, pertaining to breaches of contract, labor issues, or infringement of intellectual property rights in various countries or regions. Additionally, the Group may be susceptible to regulatory actions or dispositions. In the event of lawsuits, legal proceedings, or investigations by authorities leading to an adverse decision against the Group, the details of such a decision may adversely impact the Group's business, financial position, operating results, brand image, and social credibility.

(24) Internal controls & governance

The Group has established a system for the development, operation and evaluation of internal controls over financial reporting. Nonetheless, if the internal controls prove ineffective, or if deficiencies in internal controls over financial reporting or material deficiencies requiring disclosure arise, it may erode confidence in the Group's internal controls. This loss of confidence may lead to a material adverse impact on the stock price or may result in violations of laws and regulations, administrative actions, or claims for damages, thereby giving an adverse impact on the Group's business, financial position, and operating results.

(25) Distributors

The Group has the option to sell and acquire design wins through its distributors. In particular, we conduct substantial transactions through KAGA FEI Co., Ltd., an enduring distributor of the Company, and its subsidiaries. Hence, any suspension of the distributor's business activities or disruptions in transactions with them could have an adverse impact on the Group's business, financial position, and operating results.

(26) Relationship with major shareholders

Development Bank of Japan Inc., Fujitsu Limited, and Panasonic Holdings Corporation collectively hold 37.5% of the total number of issued shares of the Company as of the end of the fiscal year under review. The three companies, which are also the incorporators of the Company, have expressed their intention to divest their shares in the Company in stages. If these entities proceed with selling their shares in the future, it could potentially have an adverse impact on the market price of the Company's shares.

4 Management Analyses of Financial Position, Operating Results and Cash Flows

(1) Overview of operating results, etc.

An overview of the financial position, operating results, and cash flows (hereafter referred to as “operating results, etc.”) of the Group (the Company, its consolidated subsidiaries and an affiliate accounted for by the equity method) is as follows:

1) Financial position and operating results

a Operating results

During the fiscal year ended March 31, 2023, the global economy has shown a recovery from COVID-19 in terms of both supply and demand, with a gentle upward trend. However, the economic recovery slowed down in the latter half of the year due to high inflation rates and monetary policy tightening. Regarding exchange rates, the Japanese yen had been appreciating from November 2022 onward; however, it depreciated compared with the previous fiscal year. Additionally, the prolonged conflict in Ukraine, U.S.-China trade friction, and new COVID-19 variants have further increased uncertainties regarding future economic developments.

Under such circumstances, the growth of the semiconductor market slowed down significantly in 2022 compared with the previous year, due to weaker demand for products such as smartphones, PCs, and consumer electronics. On the other hand, from the latter half of the fiscal year, manufacturing capacity constraints of manufacturers (foundries as well as OSAT) that led to limitations in semiconductor supply have been easing.

At the Group, we have been progressing with transforming our business model, and shifting focus areas to high-growth and cutting-edge business areas where more global large-scale business is expected, and also carrying out structural reform including bold transformation in our business structure. This has all been implemented by the current CEO since his appointment in April 2018. As a result, we have been acquiring more design wins in our focus areas including automotive, data centers & networking, and smart devices. We have acquired design wins amounting to roughly 200 billion yen during each of the fiscal years ended March 31, 2020, 2021 and 2022, an increase from the design win amount of roughly 100 billion yen for the fiscal year ended March 31, 2019, through the transformation. Furthermore, for the current fiscal year ended March 31, 2023, we have achieved design wins amounting to 250 billion yen (1 U.S. dollar = 100 yen).

To improve design and development efficiency, we also implemented a transformation to rebuild an optimized R&D structure corresponding to our distinctive “Solution SoC” business model. We clarified the role of the team with engineers having a deep understanding of advanced technologies including SoC system architecture, IP and design methodologies, to develop strong relationships with partners in the global semiconductor industry ecosystem. In addition, we established a three-tiered organizational structure, including the project management division to manage R&D projects based on defined SoC specifications, and teams responsible for specific development tasks. Through the R&D structure, we are able to strengthen the relationship with customers at the early stage of the projects and meet customer needs for SoC development.

Our research and development costs consist of both upfront development in advanced technologies for acquiring design wins in our focus areas and investments in product development linked to acquired design wins. For the current fiscal year ended March 31, 2023, our research and development costs increased by 14.2% from the year ended March 31, 2022, to 49,324 million yen. This was mainly due to the increase in acquired design wins. The semiconductor ecosystem is ever-evolving, and to utilize the latest advanced technologies we regularly work with multiple partners and actively invest in advanced technologies including 3 nm and finer process nodes, advanced packaging technologies such as chiplets, application of latest EDA tools as well as platformization. For investments in product development, we completed tape out of 5-nm-generation products in the ADAS area in the first quarter of the current fiscal year ended March 31, 2023. We also started mass production for 7 nm products in data center & networking area in the current fiscal year. Furthermore, 7 nm products in the automotive area will enter the mass production stage in the next fiscal year ending March 31, 2024.

Our net sales consist of NRE revenue received from customers based on costs incurred in scheduled milestones during the design and development process, and product revenue from the applicable products that have entered the mass production stage. Under the circumstances of technology advancements in the semiconductor industry, NRE revenue was 34,867 million yen in the current year ended March 31, 2023, an increase of 24.0% from the year ended March 31, 2022. Besides, product revenue in the current year ended March 31, 2023, increased significantly by 85.3% from the previous fiscal year ended March 31, 2022, to 156,751million yen. This was due to an increase in product sales volume, especially in cutting-edge processes, as product development for the design wins acquired in and after the fiscal year ended March 31, 2020, was completed, and such products have entered the mass production stage in phases. Another factor behind this increase was the occurrence of short-term special demand from a Chinese customer, which exceeded our initial expectations. In addition, the easing of capacity constraints at contract manufacturers also contributed to the increase in product sales. The depreciation of the Japanese yen during the current fiscal year ended March 31, 2023, also contributed to the increase in net sales and operating income. In addition, considering an increase in revenue from overseas customers (approximately 55.6% of sales are from outside of Japan), we have established a new branch in Taiwan for global supply chain management. This has contributed to cost reduction through timely product supply and shortened lead times.

As a result of the above-mentioned factors including increased product revenue as well as the depreciation of the Japanese yen, the consolidated net sales for the year ended March 31, 2023, were 192,767 million yen, an increase of 64.7% compared with the previous fiscal year; cost of sales was 103,922 million yen; and selling, general and administrative expenses were 67,134 million yen; leading to a 156.5% increase in operating income to 21,711 million yen compared with the previous fiscal year. Ordinary income was 23,440 million yen including foreign exchange gain, up 159.0% from the previous fiscal year. Profit attributable to owners of parent was 19,763 million yen, up 164.2% from the previous fiscal year. The depreciation of the Japanese yen has led to increases of 25.6 billion yen in net sales, 9.8 billion yen in operating income and 10.6 billion yen in ordinary income, compared with the previous fiscal year. (The average exchange rate between the U.S. dollar and the Japanese yen for the current fiscal year ended March 31, 2023, was 135.5 yen, marking a depreciation of 23.1 yen compared with the previous fiscal year.)

Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

b Financial position

(Assets)

Current assets as of March 31, 2023, increased by 65,451 million yen from the end of the previous fiscal year ended March 31, 2022, to 156,067 million yen. This was due mainly to the increases in customer-requested wafer inventories against a wafer shortage as well as accounts receivable-other related to those securing activities. In addition, there were increases in accounts receivable as well as inventories in accordance with the increased product revenue. Non-current assets as of March 31, 2023, increased by 10,066 million yen from the end of the previous fiscal year to 37,878 million yen. The increase was due mainly to the acquisition of reticles, IP, etc. in connection with product development of acquired design wins, and the expansion of data centers in accordance with increasing development scale.

As a result, total assets as of March 31, 2023, increased by 75,517 million yen from the end of the previous fiscal year to 193,945 million yen.

(Liabilities)

Current liabilities as of March 31, 2023, increased by 54,897 million yen from the end of the previous fiscal year to 82,338 million yen. This was due mainly to the increases in accounts payable, liabilities related to chargeable subcontracting as well as accounts payable-other resulting from increased purchases from contract manufacturers in accordance with increasing product revenue, and upfront procurement on customer-requested wafer inventories.

As a result, total liabilities as of March 31, 2023, increased by 55,262 million yen from the end of the previous fiscal year to 84,081 million yen.

(Net assets)

Net assets as of March 31, 2023, increased by 20,255 million yen from the end of the previous fiscal year to 109,864 million yen. The primary increase was 19,763 million yen in profit attributable to owners of parent for the year ended March 31, 2023.

As a result, the shareholders' equity ratio came to 56.6%. The ratio dropped temporarily due to upfront procurement on customer-requested wafer inventories.

2) Cash flows

Cash and cash equivalents as of March 31, 2023, decreased by 1,135 million yen from the end of the previous fiscal year ended March 31, 2022, to 45,136 million yen. Cash flows for each activity for the fiscal year ended March 31, 2023, were as follows:

Net cash provided by operating activities was 18,019 million yen. This was due mainly to an increase in accounts receivable of 15,162 million yen resulting from product sales increase, towards profit before income taxes of 23,440 million yen. The increase in inventories was due mainly to upfront procurement on customer-requested inventories, where customers pay such costs. As a result, the transactions above are included in both “Decrease (increase) in other assets” and “Increase (decrease) in other liabilities” of consolidated statements of cash flows, which had almost no impact on our overall cash flows.

Net cash used in investing activities was 19,725 million yen for the year ended March 31, 2023. This was due mainly to purchases of property, plant and equipment of 12,629 million yen including reticles and test boards for product development related to acquired design wins, as well as those for improving the design and development environment, and the purchases of intangible assets of 7,144 million yen including IP.

Net cash used in financing activities was 333 million yen. This was due to repayments of lease obligations.

The Company has concluded a commitment line agreement of 10 billion yen with Mizuho Bank, Ltd. However, in response to stronger requirements for working capital due to increased product revenue, a global economic slowdown, and rising geopolitical risks, we entered into another commitment line agreement of 10 billion yen with Sumitomo Mitsui Banking Corporation in December 2022. Consequently, the total amount of commitment line agreements now stands at 20 billion yen. As of March 31, 2023, the commitment lines of a total 20 billion yen were unused.

3) Production, orders received, and sales

Production, orders and sales for the fiscal year ended March 31, 2023, are presented below.
Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

a Actual amounts of production

The Group operates on a fabless business model, outsourcing the manufacturing of products to contract manufacturers (foundries and OSATs). Considering that the Group's products are primarily custom-designed and exclusively tailored to meet specific customer requirements for integration into their products, we adopt a manufacturing-to-order approach. As a result, production results are generally aligned with sales performance and are consequently omitted from reporting.

b Actual amounts of orders received

The Group initiates the design and development process upon receiving orders for such work following the acquisition of design wins. After completing the development phase, samples are manufactured and supplied to customers for evaluation. Following the commencement of design and development, sales related to the corresponding work outlined in customer orders are recorded in stages until the completion of customer evaluation. Upon customer confirmation of satisfactory product performance, the product advances to the mass production stage. The Group, in a manner where the customer assumes responsibility for product procurement, then receives orders for the mass production of the product. The actual production is outsourced to contract manufacturers. Orders received and outstanding orders for design, development, and mass production for the fiscal year under review are presented below. Regarding orders for mass production, products are typically shipped within a year, and relevant sales are periodically recorded. However, in light of recent semiconductor shortages and other factors, customers are placing orders earlier than usual to secure and build up inventory. As a result, the shipment of ordered products may extend beyond one year. The calculation method and reference time point for the following orders received and outstanding orders are different from those used to calculate the amount and balance of acquired design wins, which serve as the Group's management indicators.

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year-on-year change
Orders received (million yen)	274,605	180,018	65.6%
Outstanding orders (million yen)	243,196	256,897	105.6%

c Actual amounts of sales

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year-on-year change
Net sales (million yen)	117,009	192,767	164.7%

Note: Sales by major counterparty and the corresponding ratio to total sales

- Sales to KAGA FEI Co., Ltd. in the fiscal years ended March 31, 2022, and 2023, and their respective ratios to total sales were 42,403 million yen, accounting for 36.2%, and 57,178 million yen, accounting for 29.7%.
- Sales to KAGA FEI AMERICA, Inc. in the fiscal year ended March 31, 2022, and the corresponding ratio to total sales were 12,062 million yen, accounting for 10.3%.
- Sales to CRS TECHNOLOGY Co., Ltd. in the fiscal year ended March 31, 2023, and the corresponding ratio to total sales were 35,779 million yen, accounting for 18.6%.

(2) Views and issues analyzed/discussed with regard to the status of operating results, etc. from the management's perspective

Views and issues analyzed/discussed with regard to the status of operating results, etc. from the management's perspective within the Group are presented below.

The forward-looking statements in this section are based on the estimates and assumptions as of the filing date of this annual securities report.

1) Views and issues analyzed/discussed with regard to the status of operating results, etc.

a. Net sales

For the current fiscal year ended March 31, 2023, our net sales increased to 192,767 million yen, up 64.7% from the year ended March 31, 2022. Of this amount, “product revenue” accounted for 156,751 million yen, up 85.3% from the previous fiscal year. Certain design wins in the data center & networking area after the transition of the business model and business areas advanced to the mass production. Additionally, there was an increase in design wins within the smart devices and automotive areas. Further, unexpected short-term special demand from a Chinese customer, and the depreciation of the Japanese yen during the fiscal year ended March 31, 2023, also contributed to the increase in product revenue. “NRE revenue” came to 34,867 million yen, up 24.0% from the previous fiscal year. NRE revenue as consideration grew due to a substantial increase in design wins, particularly from overseas customers, and the active development of the corresponding projects. In the future, product revenue is expected to increase when the product moves to the mass production stage upon completion of development and subsequent customer evaluation. “Others” decreased due to a decline in revenues from the transfer and licensing of intellectual property and other assets.

- Financial indicators

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year-on-year change
Product revenue (million yen)	84,584	156,751	185.3%
NRE revenue (million yen)	28,117	34,867	124.0%
Others (million yen)	4,308	1,149	26.7%
Total (million yen)	117,009	192,767	164.7%

b. Cost of sales, selling, general and administrative expenses, and operating income

1) Cost of sales

For the current fiscal year ended March 31, 2023, our cost of sales and gross profit increased to 103,922 million yen and 88,845 million yen (up 32.1% from the year ended March 31, 2022), respectively. This was mainly due to increases in product revenue and NRE revenue. The cost of sales ratio increased due to the additional temporary costs in securing the capacity of contract manufacturers and changes in the product composition.

- Financial indicators

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year-on-year change
Cost of sales ratio	42.5%	53.9%	11.4 percentage points
Gross profit (million yen)	67,258	88,845	132.1%

Note: The calculation method for each indicator is as follows:
Cost of sales ratio: Cost of sales/Net sales × 100

2) Selling, general and administrative expenses

Selling, general and administrative expenses for the fiscal year ended March 31, 2023, were 67,134 million yen, an increase of 8,339 million yen from the previous fiscal year. This was attributable to an increase of 6,147 million yen in research and development costs from the previous fiscal year, reaching 49,324 million yen, as a result of notable advancements in design wins. Selling, general and administrative expenses, excluding research and development costs, were 17,810 million yen, an increase of 2,192 million yen from the previous fiscal year.

3) Operating income

Operating income for the fiscal year ended March 31, 2023, was 21,711 million yen, an increase of 13,248 million yen from the previous fiscal year. This was mainly due to an increase in net sales and the impact of the yen's depreciation. The average exchange rate between the U.S. dollar and the Japanese yen for the current fiscal year, was 135.5 yen, marking a depreciation of 23.1 yen compared with the previous fiscal year.

• Financial indicators

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year-on-year change
Operating income (million yen)	8,463	21,711	256.5%
Operating margin	7.2%	11.3%	4.1 percentage points
EBITDA (million yen)*	17,282	33,786	195.5%

* EBITDA is calculated by summing "operating income," "depreciation and amortization."

c. Profit before income taxes

The sustained depreciation of the yen resulted in a foreign exchange gain of 1,601 million yen in non-operating income. The net of non-operating income and non-operating expenses was 1,729 million yen.
As a result of the above, income before income taxes for the fiscal year ended March 31, 2023, was 23,440 million yen, an increase of 14,390 million yen from the previous fiscal year.

d. Profit attributable to owners of parent

Profit attributable to owners of parent was 19,763 million yen, an increase of 12,283 million yen from the previous fiscal year. This was attributable to income taxes–current of 7,382 million yen and income tax-deferred of negative 3,705 million yen.

2) Views and issues analyzed/discussed with regard to the status of cash flows, and information on capital resources and liquidity of funds

a. Analysis of capital resources and liquidity of funds

Despite rapid changes in the business environment, the Group remains responsible for supplying its products—core components for its customers—over a long period of time. Therefore, the Company's policy is to maintain ample internal reserves and ensure high liquidity of funds.

Total assets as of March 31, 2023, amounted to 193,945 million yen, an increase of 75,517 million yen from the end of the previous fiscal year. As the Group engages in its fabless operations, current assets represent a significant portion in its asset structure, constituting 80.5% of total assets. Of current assets, inventories increased by 31,306 million yen from the end of the previous fiscal year. This was mainly due to the increase in customer-requested wafer inventories against a wafer shortage, which will contribute to net sales in the fiscal year ending March 31, 2024, onward.

• Financial position and financial indicators

	As of March 31, 2022	As of March 31, 2023	Year-on-year change
Current assets (million yen)	90,616	156,067	65,451
Current asset ratio (%)	76.5	80.5	4.0 percentage points

Note: The calculation method for each indicator is as follows:
Current asset ratio: Current assets/Total assets × 100

Total liabilities as of March 31, 2023, were 84,081 million yen, an increase of 55,262 million yen from the end of the previous fiscal year. This was due mainly to the increases in accounts payable, liabilities related to chargeable subcontracting as well as accounts payable-other resulting from increased purchases from contract manufacturers in accordance with increasing product revenue, and upfront procurement on customer-requested wafer inventories.

• Financial position and financial indicators

	As of March 31, 2022	As of March 31, 2023	Year-on-year change
Current liabilities (million yen)	27,441	82,338	54,897
Current ratio (%)	330.2	189.5	(140.7) percentage points

Note: The calculation method for each indicator is as follows:
Current ratio: Current assets/Current liabilities × 100

Total net assets as of March 31, 2023, amounted to 109,864 million yen, an increase of 20,255 million yen from the end of the previous fiscal year. Retained earnings increased by 19,763 million yen and foreign currency translation adjustments increased by 492 million yen.

As a result of the above, shareholders' equity was 109,852 million yen, with shareholders' equity ratio of 56.64% and ROE of 19.82%. We will continuously work to enhance profitability and financial structure with the aim of responding flexibly to any changes in the business environment.

- Financial position and financial indicators

	As of March 31, 2022	As of March 31, 2023	Year-on-year change
Shareholders' equity ratio (%)	75.66	56.64	(19.02) percentage points
ROE(%)	8.74	19.82	11.08 percentage points

Note: The calculation method for each indicator is as follows:
Shareholders' equity ratio: Shareholders' equity/Total assets
ROE (Return on Equity): Profit attributable to owners of parent/((Shareholders' equity as of March 31, 2022 + Shareholders' equity as of March 31, 2023)/2)

The Company has concluded a commitment line agreement of 10 billion yen with Mizuho Bank, Ltd. However, in response to stronger requirements for working capital due to increased product revenue, a global economic slowdown, and rising geopolitical risks, we entered into another commitment line agreement of 10 billion yen with Sumitomo Mitsui Banking Corporation in December 2022. Consequently, the total amount of commitment line agreements now stands at 20 billion yen. As of March 31, 2023, the commitment lines of a total 20 billion yen were unused.

b. Views and issues analyzed/discussed with regard to the status of cash flows
The Group is actively working on reducing the collection period for accounts receivable and inventory turnover periods. Simultaneously, efforts are underway to secure the working capital and funds necessary for growth through operating cash flow.

For the fiscal year ended March 31, 2023, net cash provided by operating activities was 18,019 million yen, net cash used in investing activities was negative 19,725 million yen, and free cash flow was negative 1,706 million yen. This was due to an increase in accounts receivable resulting from an increase in product revenue, product development following the acquisition of design wins, and the acquisition of non-current assets such as reticules necessary for manufacturing, among other factors.

- Cash flow indicators of the Group

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023	Year-on-year change
I. Net cash provided by operating activities (million yen)	16,355	18,019	1,664
II. Net cash used in investing activities (million yen)	(7,938)	(19,725)	(11,787)
I + II Free cash flow (million yen)	8,417	(1,706)	(10,123)

As a result of the above, cash and cash equivalents as of March 31, 2023, decreased by 1,135 million yen from the end of the previous fiscal year to 45,136 million yen.

3) Significant accounting estimates and assumptions used in such estimates

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, the following accounting policies are of particular significance, as they are expected to influence the Group's estimates for the fiscal year under review.

a. Recoverability of deferred tax assets

We determine the recoverability of deferred tax assets after estimating its future taxable income based on earnings forecasts and tax planning. Changes in the estimates due to a deteriorated business environment in the future, however, may cause the Group to draw down deferred tax assets and recognize income tax expenses.

b. Inventory valuation

For inventory valuation, the book value of inventory is written down when the net realizable value is lower than the acquisition cost. Additionally, when inventories whose inventory turnover periods exceed a certain threshold, the book value of inventory is written down to its net realizable value that reflects future demand and market trends.

c. Impairment of non-current assets

Regarding non-current assets, the Group examines whether the recognition of valuation loss is necessary based on the Accounting Standards for Impairment of Fixed Assets, and recognizes valuation loss based on the present value of future cash flows or their net realizable value. The Group may recognize a valuation loss if future cash flows plunge due to a revision to future business plans or deterioration in the business environment.

5 Material Agreements, Etc.

Not applicable.

6 Research and Development Activities

The Group's "Solution SoCs" business model utilizes advanced technologies to provide its customers seeking to differentiate their services and products with the optimal advanced SoCs. In pursuit of this, we are proactively investing in cutting-edge technologies to strengthen the Group's unique business model and foster sustained growth.

In line with its management philosophy, the Group also works closely with suppliers who provide the latest technologies in the evolving semiconductor ecosystem, including processing, packaging, and test technologies, as well as IP, EDA tools, and software. This engagement involves development activities conducted in partnership with these suppliers. In the ever-evolving and expanding semiconductor ecosystem, the challenge of developing SoCs that integrate optimal technologies from among a variety of advanced options is growing more intense. For this reason, the Group is proactively investing in exploring and demonstrating various technology combinations.

Research and development costs for the fiscal year ended March 31, 2023, amounted to 49,324 million yen, an increase of 6,147 million yen from the previous fiscal year. This was due to an increase in new development associated with a rise in design wins and the weakening yen compared with the previous fiscal year. The Company's research and development activities consist of both upfront development investment in advanced technologies for acquiring design wins in its focus areas and product development linked to acquired design wins. The Group aims to establish a virtuous cycle: acquiring new design wins by leveraging pre-developed underlying technologies in its focus areas; identifying underlying technologies that will be required in the future through technical discussions with customers and technical issues unveiled in the course of actual product development for each product; and planning and implementing the subsequent upfront development investments.

Moreover, in the development of individual products, we enter into development agreements with our customers. Subsequent to the design and development stage, we provide them with prototypes. With a development agreement specifying that the intellectual property related to the product resulting from R&D conducted by the Group belongs to the Group, the cost of product development for each customer is included in research and development costs (selling, general and administrative expenses).

Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

<Upfront development>

In the "Solution SoC" business model, it is necessary to implement diverse functions. Traditionally, the approach to address this need has been to expand the circuit scale through refining process technology. On the other hand, regarding the utilization of cutting-edge process technologies, challenges such as cost, development duration, and the supply capacity of mass-production plants increasingly give rise to situations where it may not always be the sole optimal solution. Under these circumstances, the Group proactively engages in upfront development to apply each supplier's cutting-edge technologies to actual SoC development. This approach includes not only the refinement of process technologies (5 nm, 3 nm, 2 nm) but also the adaption to SoCs and advanced packaging/high-density packaging (2.5D-IC, 3D-IC) technologies based on computer architecture. Additionally, the Group introduces new design technologies and methods to reduce power consumption and shorten the design period. Examples of the results of upfront development in the fiscal year ended March 31, 2023, are as follows:

• Research and development of scalable large-scale, cutting-edge custom SoC design technology

Various underlying technologies associated with high-density packaging (2.5D-IC, 3D-IC) are in development to integrate SoCs and other chips such as memory into a single package. To apply this technology to large-scale and high-performance custom SoCs, we need technologies to integrate the underlying technologies proven for test chips and specific products. To proactively address the future demand of customers, the Group has pioneered the development of high-density packaging (2.5D-IC) technology for large SoCs with a side size exceeding 25 mm using advanced process technology, currently at the forefront of development. The Group has already completed the development of products that utilize this technology in the actual development of custom SoCs.

We have also finalized the adjustment of our SoC design environment, and design and process flow that utilize our design assets and development expertise, so that they can accommodate advanced process technology (3 nm). We intend to systematically apply the outcomes of our upfront development to future product development.

<Product development>

Since the fiscal year ended March 31, 2020, there has been a rise in the number of development projects utilizing 7 nm and 5 nm processes for innovative new services and products, such as autonomous driving. This was due to the greater acquisition of design wins in our focus areas of automotive, data center & networking, and smart devices. An example of product development for the fiscal year ended March 31, 2023, is as follows:

• Development of custom in-vehicle SoCs for specific customers (leveraging advanced technology/large scale/high reliability)

In the automobile sector, computing for autonomous driving is undergoing active development. Intensified competition is emerging in the creation of high-performance automobile systems with advanced functionality, leveraging distinctive SoCs. To fulfill customer requirements for reliability, high performance, advanced functionality, and a shorter development period in automotive systems, the Group has fully utilized its expertise in automotive products and large-scale SoC development. This includes leveraging cutting-edge technologies based on in-vehicle quality and functional safety that is essential in in-vehicle SoC development. Our focus has been on developing large-scale in-vehicle SoCs tailored to specific customer needs, utilizing advanced process technology.

III Property, Plant and Equipment

1 Overview of Capital Investments, Etc.

Capital investment (including intangible assets) made during the fiscal year ended March 31, 2023, totaled 20,429 million yen. This was mainly due to the acquisition of reticules and test boards for manufacturing individual SoCs, the acquisition of IP, and more for developing advanced technology products for automotive and smart devices, etc., and the acquisition of servers, storage, and other elements to enhance the R&D environment.

Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

2 Major Property, Plant and Equipment

The Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

(1) Reporting company

As of March 31, 2023

Office (Location)	Details of property, plant and equipment	Book value (million yen)					Number of employees (persons)
		Buildings and structures	Land (Area)	Other	Intangible assets	Total	
Head Office (Kohoku-ku, Yokohama)	Network equipment, development evaluation boards, measurement equipment, etc.	170	-	673	11,909	12,752	1,318
Kyoto Office (Shimogyo-ku, Kyoto)	Network equipment, development evaluation boards, measurement equipment, etc.	582	-	420	124	1,126	531
Kozoji Office (Kasugai, Aichi)	Buildings, land, measurement equipment, etc.	208	800 (25,663 m^2)	291	140	1,439	254
Other contract manufacturers, etc. (Taipei, Taiwan, and others)	Reticles and test boards for LSI manufacturing, etc.	-	-	6,536	-	6,536	-

Notes: 1 The amounts of construction in progress and software in progress are not included in the book value.
2 “Other” in the book value includes tools, furniture and fixtures.
3 “Intangible assets” in the book value are mainly IP and software, while those whose location cannot be identified are included in “Head Office.”
4 There are no major items of property, plant and equipment that are currently out of operation.
5 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.
6 The Kozoji Office is owned by the Company. Other offices are leased.

(2) Overseas subsidiaries

As of March 31, 2023

Company name	Office (Location)	Details of property, plant and equipment	Book value (million yen)				Number of employees (persons)
			Buildings and structures	Other	Intangible assets	Total	
Socionext Europe GmbH	Langen Office (Langen, Germany)	Network equipment, development evaluation boards, measurement equipment, etc.	210	125	25	360	106
	Maidenhead Office (Maidenhead, United Kingdom)	Network equipment, development evaluation boards, measurement equipment, etc.	545	224	8	777	42

Notes: 1 The amounts of construction in progress and software in progress are not included in the book value.
2 “Other” in the book value includes tools, furniture and fixtures.
3 “Intangible assets” in the book value are mainly software.
4 There are no major items of property, plant and equipment that are currently out of operation.
5 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.
6 The offices are leased.

3 Plans for Capital Investments, Disposals of Property, Plant and Equipment, Etc.

(1) Significant new property, plant and equipment

Not applicable.

(2) Disposal of significant property, plant and equipment

Not applicable.

IV Information on Reporting Company

1 Company's Shares, Etc.

(1) Total number of shares, etc.

1) Total number of shares

Type	Total number of authorized shares (shares)
Common stock	134,600,000
Total	134,600,000

2) Issued shares

Type	Number of shares issued as of the end of fiscal year (shares) (March 31, 2023)	Number of shares issued as of the filling date (shares) (June 29, 2023)	Stock listing/registration	Description
Common stock	33,666,666	34,515,266	Prime Market of the Tokyo Stock Exchange	They represent the standard shares of the Company, with no restrictions on shareholders' rights, and the number of shares per one unit of shares is 100 shares.
Total	33,666,666	34,515,266	-	-

Note: The "Number of shares issued as of the filling date" does not include the number of shares issued upon the exercise of share subscription rights during a period from June 1, 2023, to the filing date of this annual securities report.

(2) Share subscription rights, etc.

1) Details of stock option plans

First issue of share subscription rights

Date of resolution	April 22, 2015
Category and number of grantees (persons)	Directors of the Company (excluding Outside Directors) 6 Employees of the Company 593
Number of share subscription rights (units)*1	4,256,640 [2,528,400] (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock 1,064,160 [632,100] (Note 1)
Payment amount for share subscription rights (yen)*1	2,000 (Note 2)
Exercise period of share subscription rights*1 and 2	From April 23, 2017, to April 22, 2025
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,000 Amount capitalized as common stock: 1,000 (Note 3)
Conditions for exercising share subscription rights*1	i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below. (a) Retirement or resignation due to reaching the age of retirement or completion of the term of office (b) Retirement due to death (c) A career change mediated by the Company (d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure. v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2023) is shown in square brackets based on the status as of May 31, 2023. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from April 23, 2017, to April 22, 2025. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1. The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall

be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.

Second issue of share subscription rights

Date of resolution	July 20, 2016
Category and number of grantees (persons)	Directors of the Company (excluding Outside Directors) 1 Employees of the Company 29
Number of share subscription rights (units)*1	156,960 [102,240] (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock: 39,240 [25,560] (Note 1)
Payment amount for share subscription rights (yen)*1	2,472 (Note 2)
Exercise period of share subscription rights*1 and 2	From July 21, 2018, to July 20, 2026
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,472 Amount capitalized as common stock: 1,236 (Note 3)
Conditions for exercising share subscription rights*1	i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as "Directors, etc.") must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the "Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc." (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the "Affiliates"). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below. (a) Retirement or resignation due to reaching the age of retirement or completion of the term of office (b) Retirement due to death (c) A career change mediated by the Company (d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure. v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the “Structural Reorganization”), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the “Reorganized Company”) shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the “Remaining Share Subscription Rights”) taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with “Number of share subscription rights (units)” presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the “Value of assets to be contributed upon exercise of share subscription rights (yen)” above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the “Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)” presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the “Provisions concerning the acquisition of share subscription rights” outlined in the issuance guidelines, along with the “Conditions for exercising share subscription rights” described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2023) is shown in square brackets based on the status as of May 31, 2023. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 21, 2018, to July 20, 2026. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1 The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall

be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\\text{outstanding +}\end{array} \dfrac{\begin{array}{c}\text{Number of shares to be issued} \times\\\text{Paid-in amount per share}\end{array}}{\text{Market value per share}}}{\begin{array}{c}\text{Number of shares outstanding +}\\\text{Number of shares to be issued}\end{array}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.

Third issue of share subscription rights

Date of resolution	July 24, 2017
Category and number of grantees (persons)	Employees of the Company 28
Number of share subscription rights (units)*1	201,600 [99,600] (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock: 50,400 [24,900] (Note 1)
Payment amount for share subscription rights (yen)*1	2,564 (Note 2)
Exercise period of share subscription rights*1 and 2	From July 25, 2019, to July 24, 2027
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,564 Amount capitalized as common stock: 1,282 (Note 3)
Conditions for exercising share subscription rights*1	i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Directors, etc. of the Company or the Affiliates for the reasons described below. (a) Retirement or resignation due to reaching the age of retirement or completion of the term of office (b) Retirement due to death (c) A career change mediated by the Company (d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure. v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2023) is shown in square brackets based on the status as of May 31, 2023. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 25, 2019, to July 24, 2027. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1 The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall

be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\\text{outstanding +}\end{array} \dfrac{\begin{array}{c}\text{Number of shares to be issued} \times\\\text{Paid-in amount per share}\end{array}}{\text{Market value per share}}}{\begin{array}{c}\text{Number of shares outstanding +}\\\text{Number of shares to be issued}\end{array}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.

5. Rounding

   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.

6. Issuance of stock warrants

   The Company does not issue any stock warrants.

Fifth issue of share subscription rights

Date of resolution	June 19, 2018
Category and number of grantees (persons)	Special Advisor 1 (Note 7)
Number of share subscription rights (units)*1	86,400 (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock: 21,600 (Note 1)
Payment amount for share subscription rights (yen)*1	2,000 (Note 2)
Exercise period of share subscription rights*1 and 2	From August 1, 2018, to April 22, 2025
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,000 Amount capitalized as common stock: 1,000 (Note 3)
Conditions for exercising share subscription rights*1	i) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. ii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iii) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. iv) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). No changes in the information to report occurred between the end of the fiscal year under review and the end of the month preceding the filing month (May 31, 2023). Consequently, the information as of the end of the month preceding the filing month is omitted for presentation.

*2 The period shall be from August 1, 2018, to April 22, 2025. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1 The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term “number of shares outstanding” shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term “number of shares to be issued” shall be replaced with “number of treasury stock to be disposed,” and the term “paid-in amount per share” shall be replaced with “disposal amount per share.”

In addition to the above, in the event that the exercise price needs to be adjusted, after the resolution date, due to the gratis allotment of other types of shares to common shareholders, or any other events, the Company shall adjust the exercise price to the extent reasonable, taking into consideration the conditions of such allotment, etc.

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (b) A holder of share subscription rights is declared bankrupt.
      (c) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (d) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.
7. The Special Advisory Agreement expired on March 31, 2022.

Fourth issue of share subscription rights

Date of resolution	July 25, 2018
Category and number of grantees (persons)	Directors of the Company (excluding Outside Directors) 1 Employees of the Company 2,255
Number of share subscription rights (units)*1	5,034,640 [3,563,320] (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock: 1,258,660 [890,830] (Note 1)
Payment amount for share subscription rights (yen)*1	2,564 (Note 2)
Exercise period of share subscription rights*1 and 2	From July 26, 2020 to July 25, 2028
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,564 Amount capitalized as common stock: 1,282 (Note 3)
Conditions for exercising share subscription rights*1	i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Directors, etc. of the Company or the Affiliates for the reasons described below. (a) Retirement or resignation due to reaching the age of retirement or completion of the term of office (b) Retirement due to death (c) A career change mediated by the Company (d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure. v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2023) is shown in square brackets based on the status as of May 31, 2023. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 26, 2020, to July 25, 2028. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1 The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall

be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\\text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\\text{outstanding +}\end{array} \dfrac{\begin{array}{c}\text{Number of shares to be issued} \times\\\text{Paid-in amount per share}\end{array}}{\text{Market value per share}}}{\begin{array}{c}\text{Number of shares outstanding +}\\\text{Number of shares to be issued}\end{array}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding

   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants

   The Company does not issue any stock warrants.

Sixth issue of share subscription rights

Date of resolution	July 29, 2019
Category and number of grantees (persons)	Directors of the Company (excluding Outside Directors) 3 Employees of the Company 125
Number of share subscription rights (units)*1	166,300 [146,300] (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock: 41,575 [36,575] (Note 1)
Payment amount for share subscription rights (yen)*1	2,564 (Note 2)
Exercise period of share subscription rights*1 and 2	From July 30, 2021, to July 29, 2029
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,564 Amount capitalized as common stock: 1,282 (Note 3)
Conditions for exercising share subscription rights*1	i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Directors, etc. of the Company or the Affiliates for the reasons described below. (a) Retirement or resignation due to reaching the age of retirement or completion of the term of office (b) Retirement due to death (c) A career change mediated by the Company (d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure. v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2023) is shown in square brackets based on the status as of May 31, 2023. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 30, 2021, to July 29, 2029. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1 The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall

be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\ \text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price before}\\ \text{adjustment}\end{array} \times \frac{\begin{array}{c}\text{Number of shares}\\ \text{outstanding +}\end{array} \dfrac{\begin{array}{c}\text{Number of shares to be issued} \times\\ \text{Paid-in amount per share}\end{array}}{\text{Market value per share}}}{\begin{array}{c}\text{Number of shares outstanding +}\\ \text{Number of shares to be issued}\end{array}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\ \text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\ \text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.

Seventh issue of share subscription rights

Date of resolution	July 22, 2020
Category and number of grantees (persons)	Employees of the Company 192
Number of share subscription rights (units)*1	337,620 [234,240] (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock: 84,405 [58,560] (Note 1)
Payment amount for share subscription rights (yen)*1	2,564 (Note 2)
Exercise period of share subscription rights*1 and 2	From July 23, 2022, to July 22, 2030
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,564 Amount capitalized as common stock: 1,282 (Note 3)
Conditions for exercising share subscription rights*1	i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Directors, etc. of the Company or the Affiliates for the reasons described below. (a) Retirement or resignation due to reaching the age of retirement or completion of the term of office (b) Retirement due to death (c) A career change mediated by the Company (d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure. v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2023) is shown in square brackets based on the status as of May 31, 2023. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 23, 2022, to July 22, 2030. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1 The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall

be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term “number of shares outstanding” shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term “number of shares to be issued” shall be replaced with “number of treasury stock to be disposed,” and the term “paid-in amount per share” shall be replaced with “disposal amount per share.”

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.

Eighth issue of share subscription rights

Date of resolution	March 24, 2021
Category and number of grantees (persons)	Directors of the Company (excluding Outside Directors) 6 Employees of the Company 75
Number of share subscription rights (units)*1	261,240 [205,780] (Note 1)
Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1	Common stock: 65,310 [51,445] (Note 1)
Payment amount for share subscription rights (yen)*1	2,564 (Note 2)
Exercise period of share subscription rights*1 and 2	From March 25, 2023, to March 24, 2031
Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1	Issue price: 2,564 Amount capitalized as common stock: 1,282 (Note 3)
Conditions for exercising share subscription rights*1	i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Directors, etc. of the Company or the Affiliates for the reasons described below. (a) Retirement or resignation due to reaching the age of retirement or completion of the term of office (b) Retirement due to death (c) A career change mediated by the Company (d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit. iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished. iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure. v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates. vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas.
Matters related to transfer of share subscription rights*1	Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors.

Matters related to delivery of share subscription rights in the event of reorganization *1	In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan: i) Number of share subscription rights of the Reorganized Company to be delivered A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered. ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights Common stock of the Reorganized Company. iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors. iv) Value of assets to be contributed upon exercise of share subscription rights The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above. v) Exercise period of share subscription rights From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above. vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above. vii) Restriction on acquisition of share subscription rights by transfer Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company. viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above.

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2023). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2023) is shown in square brackets based on the status as of May 31, 2023. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from March 25, 2023, to March 24, 2031. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1 The number of shares to be issued upon exercise of each share subscription right shall be 0.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall

be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term “number of shares outstanding” shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term “number of shares to be issued” shall be replaced with “number of treasury stock to be disposed,” and the term “paid-in amount per share” shall be replaced with “disposal amount per share.”

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the stock subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.

2) Details of rights plans

Not applicable.

3) Other share subscription rights

Not applicable.

(3) Exercises of moving strike convertible bonds, etc.

Not applicable.

(4) Changes in the total number of issued shares, common stock, etc.

Date	Changes in the total number of issued shares (shares)	Balance of the total number of issued shares (shares)	Changes in common stock (thousand yen)	Balance of common stock (thousand yen)	Changes in legal capital surplus (thousand yen)	Balance of legal capital surplus (thousand yen)
September 5, 2022 (Note 1)	Common stock (45,000,000) Type A shares (30,000,000) Type B shares (15,600,000)	Common stock 15,000,000 Type A shares 10,000,000 Type B shares 5,200,000	-	30,200,000	-	30,200,000
September 6, 2022 (Note 2)	Common stock 18,666,666	Common stock 33,666,666 Type A shares 10,000,000 Type B shares 5,200,000	-	30,200,000	-	30,200,000
September 6, 2022 (Note 3)	Type A shares (10,000,000) Type B shares (5,200,000)	Common stock 33,666,666	-	30,200,000	-	30,200,000

Notes: 1 The decrease was because the Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each.

2 As a result of the exercise of put options by Development Bank of Japan Inc., a Type A shareholder, the Company acquired all the Type A shares as treasury stock on September 6, 2022, and delivered 1.3466666 shares of common stock per Type A share as consideration. Furthermore, as a result of the exercise of put options by Fujitsu Ltd. and Panasonic Holdings Corporation, Type B shareholders, the Company acquired all the Type B shares as treasury stock on September 6, 2022, and delivered 1 share of common stock per Type B share as consideration.

3 All the Type A shares and Type B shares acquired by the Company were cancelled as of September 6, 2022, in accordance with Article 178 of the Companies Act through a resolution passed by the Board of Directors on August 31, 2022.

4 During the period from April 1, 2023, to May 31, 2023, upon the exercise of share subscription rights, the total number of issued shares, the amount of common stock and the amount of capital and legal capital surplus increased by 848,600 shares, 968,125 thousand yen and 968,125 thousand yen, respectively.

(5) Shareholding by shareholder category

As of March 31, 2023

Category	Shareholding status (1 unit = 100 shares)								Shares less than one unit (shares)
	National and local governments	Financial institutions	Financial instruments business operators	Other corporations	Foreign shareholders		Individuals and others	Total	
					Non-individuals	Individuals			
Number of shareholders (persons)	-	21	57	252	195	26	16,288	16,839	-
Number of shares held (units)	-	89,521	15,619	81,727	92,048	67	57,568	336,550	11,666
Percentage of shareholdings (%)	-	26.60	4.64	24.28	27.35	0.02	17.11	100.00	-

(6) Major shareholders

As of March 31, 2023

Name	Address	Number of shares held (shares)	Percentage of shares held in the total number of issued shares (excluding treasury stock) (%)
Development Bank of Japan Inc.	9-6, Otemachi 1-chome, Chiyoda-ku, Tokyo	5,049,966	14.99
Fujitsu Limited	4-1-1 Kamikodanaka, Nakahara-ku, Kawasaki-shi, Kanagawa	5,049,900	14.99
The Master Trust Bank of Japan, Ltd. (trust account)	2-11-3 Hamamatsucho, Minato-ku, Tokyo	2,880,100	8.55
Panasonic Holdings Corporation	1006, Kadoma, Kadoma-shi, Osaka	2,525,000	7.50
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	ONE LINCOLN STREET, BOSTON MA USA 02111 (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	1,037,500	3.08
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE CLEARANCE ACC FOR THIRD PARTY (Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	10 HAREWOOD AVENUE LONDON NW1 6AA (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	614,465	1.82
Custody Bank of Japan, Ltd. (trust account)	8-12, Harumi 1-Chome, Chuo-ku, Tokyo	586,900	1.74
BNP PARIBAS LONDON BRANCH FOR PRIME BROKERAGE SEGREGATION ACC FOR THIRD PARTY (Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited)	10 HAREWOOD AVENUE LONDON NW1 6AA (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo)	454,635	1.35
PERSHING SECURITIES LTD CLIENT SAFE CUSTODY ASSET ACCOUNT (Standing proxy: Citibank, N.A., Tokyo Branch)	ROYAL LIVER BUILDING, PIER HEAD, LIVERPOOL, L3 1LL, ENGLAND (6-27-30 Shinjuku, Shinjuku-ku, Tokyo)	410,600	1.21
Nomura Securities Co., Ltd. (self-transfer account)	1-13-1 Nihonbashi, Chuo-ku, Tokyo	399,700	1.18
Total	-	19,008,766	56.46

Notes: 1 Percentage of shares held in the total number of issued shares is rounded down to two decimal places.

2 Although the Statement of Large-Volume Holdings (the Statement of Changes) made available for public inspection on April 7, 2023, indicated that Capital Research and Management Company held the following number of shares as of March 31, 2023, the Company could not confirm its actual shareholding as of March 31, 2023, and therefore did not include it in the above list of major shareholders. The details of the Statement of Large-Volume Holdings (the Statement of Changes) are as follows:

Name	Address	Number of share certificates, etc. held (shares)	Percentage of share certificates held (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	2,011,700	5.98

(7) Voting Rights

1) Issued shares

As of March 31, 2023

Category	Number of shares (shares)		Number of voting rights (units)	Description
Shares without voting rights		-	-	-
Shares with restricted voting rights (treasury stock, etc.)		-	-	-
Shares with restricted voting rights (other)		-	-	-
Shares with full voting rights (treasury stock, etc.)		-	-	-
Shares with full voting rights (others)	Common stock	33,655,000	336,550	They represent the standard shares of the Company, with no restrictions on shareholders' rights, and the number of shares per one unit of shares is 100 shares.
Shares less than one unit	Common stock	11,666	-	-
Total number of issued shares		33,666,666	-	-
Voting rights held by all shareholders		-	336,550	-

Note: In line with the resolution passed during the extraordinary general meeting of shareholders on August 31, 2022, the Company adopted the unit share system, with each unit comprising 100 shares, on September 6, 2022.

2) Treasury stock, etc.

Not applicable.

2 Acquisition of Treasury Stock, Etc.

Type of shares: Acquisition of Type A shares and Type B shares under Article 155, Item 4 of the Companies Act

(1) Acquisition resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition resolved by the Board of Directors

Not applicable.

(3) Details of acquisition not based on a resolution of the general meeting of shareholders or the Board of Directors

Category	Number of shares (shares)	Total amount (million yen)
Treasury stock acquired during the fiscal year ended March 31, 2023	Type A shares 10,000,000 Type B shares 5,200,000	–
Treasury stock acquired during the period	-	–

Notes: 1 As a result of the exercise of put options by Development Bank of Japan Inc., a Type A shareholder, the Company acquired all the Type A shares as treasury stock on September 6, 2022, and delivered 1.3466666 shares of common stock per Type A share as consideration. All the Type A shares were cancelled as of September 6, 2022, in accordance with a resolution passed by the Board of Directors on August 31, 2022.

2 As a result of the exercise of put options by Fujitsu Ltd. and Panasonic Holdings Corporation, Type B shareholders, the Company acquired all the Type B shares as treasury stock on September 6, 2022, and delivered 1 share of common stock per Type B share as consideration. All the Type B shares were cancelled as of September 6, 2022, in accordance with a resolution passed by the Board of Directors on August 31, 2022.

(4) Disposition and holding of acquired treasury stock

Category	Fiscal year ended March 31, 2023		Current period for acquisition	
	Number of shares (shares)	Total disposition amount (million yen)	Number of shares (shares)	Total disposition amount (Million yen)
Acquired treasury stock for which subscribers were solicited	–	–	–	–
Acquired treasury stock which was canceled	Type A shares 10,000,000 Type B shares 5,200,000	Type A shares – Type B shares –	-	–
Acquired treasury stock which was transferred for merger, share exchange, share delivery, and company split	–	–	–	–
Other (–)	–	–	–	–
Number of treasury stock held	–	–	–	–

Notes: 1 As a result of the exercise of put options by Development Bank of Japan Inc., a Type A shareholder, the Company acquired all the Type A shares as treasury stock on September 6, 2022, and delivered 1.3466666 shares of common stock per Type A share as consideration. All the Type A shares were cancelled as of September 6, 2022, in accordance with a resolution passed by the Board of Directors on August 31, 2022.

2 As a result of the exercise of put options by Fujitsu Ltd. and Panasonic Holdings Corporation, Type B shareholders, the Company acquired all the Type B shares as treasury stock on September 6, 2022, and delivered 1 share of common stock per Type B share as consideration. All the Type B shares were cancelled as of September 6, 2022, in accordance with a resolution passed by the Board of Directors on August 31, 2022.

3 Dividend Policy

One of the Company's key management priorities is to increase corporate value over the medium to long term while returning profits to shareholders. We aim to pay a stable dividend with a target consolidated dividend payout ratio of around 40%, taking into account the balance between advance investment in the development needed for future growth and maintaining a solid financial base as credit to customers. In addition, over the medium term, we will continue to invest in growth and maintain a strong financial base while promoting shareholder return with a target total return ratio of around 50% in order to further improve shareholder interests and capital efficiency.

In addition, the Articles of Incorporation stipulate that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, shall be determined by a resolution of the Board of Directors without a resolution of a general meeting of shareholders, and that an interim dividend may be paid with September 30 of each year as the record date, unless otherwise provided by law. The Company's basic policy is to pay dividends twice a year, an interim dividend and a year-end dividend, from the fiscal year ending March 2024 onward.

As no interim dividend was paid in the fiscal year under review, the Company decided to pay an annual year-end dividend of 210 yen per share at the Board of Directors meeting held on May 19, 2023 (payment start date: June 7, 2023).

4 Corporate Governance, Etc.

(1) Overview of corporate governance

1) Basic views on corporate governance

Recognizing the importance of management as a company having social responsibilities, the Company has positioned the development of organizational structures and mechanisms to ensure transparency and fairness in decision-making and the building of a trusting relationship with all stakeholders, including shareholders, as one of its most important management issues. Accordingly, we aim to increase our corporate value and achieve sustainable growth through the implementation and continuous improvement of the Corporate Governance Code.

2) Overview of corporate governance system and reasons for adoption

a Overview of corporate governance system

<Board of Directors>

The Board of Directors makes decisions on important management matters and matters stipulated by laws and regulations, and continuously supervises the status of business execution. In addition, the Company employs multiple independent Outside Directors who are experts in diverse fields to strengthen the supervisory function of business execution and develop an effective system through appropriate advice. In principle, the Board of Directors meets once a month on a regular basis, and extraordinary meetings are held as necessary

The Board of Directors consists of ten members in total, with five internal Directors and five Outside Directors.

Representative Director, Chairman, President and CEO: Masahiro Koezuka (Chairperson)

Internal Directors: Koichi Otsuki, Noriaki Kubo, Yutaka Yoneyama, and Hisato Yoshida

Outside Directors: Masatoshi Suzuki, Sachiko Kasano, Yasuyoshi Ichikawa, Morimasa Ikemoto, and Noriko Yoneda

<Audit & Supervisory Committee>

The Audit & Supervisory Committee conducts audits on the legality and appropriateness of the execution of duties by Directors, ensures the soundness of the Company, and acts in the common interest of shareholders with a view to sustainable enhancement of corporate value. One full-time Audit & Supervisory Committee Member is elected to enhance the effectiveness of the audit and supervisory functions by attending important meetings and strengthening cooperation with the Accounting Auditor and Internal Audit Department. In addition, an Outside Director chairs the Committee. In principle, the Audit & Supervisory Committee meets once a month, and extraordinary meetings are held as necessary.

The Audit & Supervisory Committee consists of three Directors, of which three are Outside Directors.

Outside Directors: Yasuyoshi Ichikawa (Chairperson), Morimasa Ikemoto, and Noriko Yoneda

<Nomination and Compensation Committee>

The Nomination and Compensation Committee, which is composed of members elected from among the Directors by resolution of the Board of Directors, is established as a voluntary advisory body to the Board of Directors with the aim of improving transparency regarding election and compensation of Directors who are not Audit & Supervisory Committee Members and executive officers, and election of Directors who are Audit & Supervisory Committee Members. The Nomination and Compensation Committee is consulted by the Board of Directors and makes recommendations on the election and compensation for Directors who are not Audit & Supervisory Committee Members and executive officers, and the election of Directors who are Audit & Supervisory Committee Members. The Committee formulates election criteria and policies for the personnel of Directors and executive officers, and policies on the compensation for Directors who are not Audit and Supervisory Committee Members and executive officers, and deliberates compensation levels. To adopt independent perspectives, an Outside Director chairs the Committee and two-thirds of the Committee members are Outside Directors.

Outside Directors: Masatoshi Suzuki (Chairperson) and Sachiko Kasano

Representative Director, Chairman, President and CEO: Masahiro Koezuka

<Outside Directors' Meeting>

The Outside Board of Directors' group meeting is held every month to gather and share information necessary for Outside Directors' management decision-making and to exchange opinions including their ideas and the necessity of discussion for the Board of Directors. The meeting is chaired by a Lead Independent Outside Director. The Outside Directors' Meeting is composed of all Outside Directors, and the Representative Director participates as necessary.

Outside Directors: Masatoshi Suzuki (Chairperson), Sachiko Kasano, Yasuyoshi Ichikawa, Morimasa Ikemoto, and Noriko Yoneda

Representative Director, Chairman, President and CEO: Masahiro Koezuka

<Management Committee>

The Management Committee deliberates and makes decisions on important matters relating to the execution of the Group's business and on important matters to be submitted to the Board of Directors, as determined by the Board of Directors regarding the transfer of authority. In principle, the Management Committee meets once a week and consists of the following members:

Representative Director, Chairman, President and CEO, executive officers, and organizational heads appointed by the CEO

<Risk and Compliance Committee>
The Risk and Compliance Committee discusses to identify, analyze and take measures for risks including information security, compliance and disasters. Business risks, such as those relating to the business environment, strategy, finance, labor management and supply chain, are deliberated by the Management Committee. The Risk and Compliance Committee meets quarterly and consists of the following members:
Chairperson: Representative Director, Chairman, President and CEO; Committee members: Executive officers, organizational heads appointed by the CEO

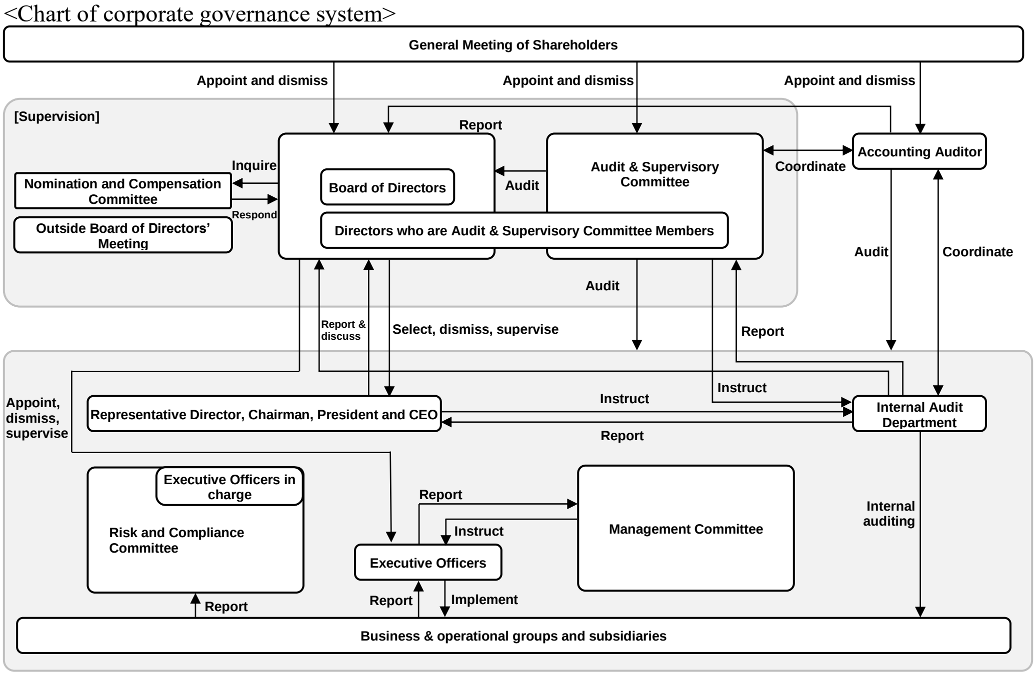
<Internal Audit Department>
The Internal Audit Department, which is established directly under the CEO, conducts internal audits on the overall development of internal controls over management activities and the status of execution of business in the Group. The Internal Audit Department's audit plan is approved by the CEO and the Audit & Supervisory Committee, and the results of the Internal Audit Department's audit are reported to the CEO and the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee can direct the Internal Audit Department as necessary.

b Reason for adoption of this system
To enhance corporate value over the medium to long term, the Company has established a corporate governance system based on a company with an Audit and Supervisory Committee.

- Strengthening supervisory functions
  The Board of Directors, which includes Independent Outside Directors, and the Audit & Supervisory Committee, a majority of whose members are independent Outside Directors, will strengthen the supervisory function over business execution.
- Ensuring management transparency
  The Company ensures management transparency by appointing more than one-third of its Directors as independent Outside Directors and by having the Nomination and Compensation Committee, a majority of whose members are independent Outside Directors, report to the Board of Directors on the nomination and compensation of officers.
- Acceleration of decision-making
  The Board of Directors focuses on guiding the course of action for management, making important decisions and overseeing the execution of business operations. By delegating its executive authority to the CEO and executive officers, we aim to promote business operations and increase corporate value through accelerated decision-making.

The corporate governance system of Socionext Inc. is described below.

<Chart of corporate governance system>



3) Other matters related to corporate governance

a Development and operation of internal control system

(a) Systems to ensure that the execution of the duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

In order to establish corporate ethics, comply with laws and regulations, and fulfill social responsibility, the Company has established the “Mission,” “Value,” “Action Policy,” “CSR Policy,” and “Compliance Codes,” and is working to ensure that its employees have a comprehensive understanding of these frameworks. Concurrently, the Company endeavors to provide its employees with education on the importance of compliance and risk management, as well as on the Whistle-blowing System, to enhance their awareness.

We have no relationship with any anti-social forces or organizations that pose a threat to the order and safety of society and potentially hinder the integrity of corporate activities. We take a firm stand against them.

(b) Systems under which information regarding execution of duties by Directors shall be retained and managed

The minutes of general meetings of shareholders and meetings of the Board of Directors related to the execution of duties by Directors, and other documents relevant to important decision-making are stored and managed in accordance with laws and regulations and the “Important Document Management Regulations.” Upon request by the Audit & Supervisory Committee, the Company provides access to such information without delay.

With regard to information disclosure, the Company has appointed an an entity responsible for handling of information (Corporate Senior Vice President in charge of corporate planning). We centrally manage important corporate information in accordance with laws, regulations, the rules for timely disclosure established by stock exchanges, and other regulations. Our goal is to ensure the prompt and accurate disclosure of information.

(c) Regulations and other systems for the risk management of loss

The Company aims to minimize economic and social losses and foster sustainable growth in corporate value by identifying risks surrounding the Group and implementing appropriate countermeasures. For the purpose of controlling compliance and information security risk management across the Group, the Company has established the “Risk Management Regulations” and various regulations for information security. Additionally, the Risk and Compliance Committee, chaired by the CEO, has been formed to provide quarterly reporting and monitor risks surrounding the Group.

Additionally, business risks inherent in the course of conducting business are reported and monitored by the Management Committee as necessary.

(d) Systems to ensure efficient execution of duties by Directors

The Company holds a monthly Board of Directors meeting, in principle, to determine basic management policies, matters related to laws and regulations, and other important management matters, as well as to supervise the execution of duties by Directors.

For the execution of business in line with the decisions made by the Board of Directors, the Company specifies the details of authority and responsibility in its internal rules and other regulations.

Looking ahead to the future business environment, the Company has formulated a business plan for the Group (a planning period set three years in the future, with the first year serving as the basis for the subsequent year's budget). In order to execute the business plan, each executive officer ensures that each division determines specific measures to achieve the target, periodically confirms the progress in these achievements and reports improvement measures during the Management Committee and the Board of Directors' meetings.

(e) Systems to ensure appropriateness of business operations in the Group

The Company manages the entire Group as an integrated entity, constantly overseeing the management status of its subsidiaries. The basic policy of subsidiary management is to approve matters specified for approval in the “SNI Group Approval Authority and Affiliate Management Regulations,” have its subsidiaries report on management activities, and monitor the management status.

Based on an audit plan approved by the CEO and the Audit & Supervisory Committee, the Internal Audit Department conducts business audits to assess the effectiveness and appropriateness of the Group's internal control system, as well as compliance with laws, regulations, the Articles of Incorporation, internal rules, and other regulations. Additionally, the department provides suggestions for business improvement. The Company calls for improvements and corrections to the matters identified, and reports audit results to the CEO and the Audit & Supervisory Committee.

(f) Systems to ensure reliability of financial reporting

In order to ensure the reliability of the Group's financial reporting and facilitate the effective and appropriate submission of internal control reports in accordance with the Financial Instruments and Exchange Act, the Company, under the direction of the CEO, has established a system for developing and operating internal control over financial reporting, continuously evaluates the proper functioning of the system, makes necessary corrections, and ensures compliance with the Financial Instruments and Exchange Act and other relevant laws and regulations.

(g) Matters related to employees to assist the duties of Audit & Supervisory Committee Members in cases where the appointment of such employees is requested, matters related to the independence of such employees from Directors, and matters related to ensuring the effectiveness of instructions provided by Audit & Supervisory Committee Members to such employees

To support the duties of the Audit & Supervisory Committee, the Company has decided to appoint employees to serve in the Audit & Supervisory Committee Secretariat. The employees do not concurrently hold a position related to the execution of business but have the authority to conduct investigations necessary for the audit by the Audit & Supervisory Committee in accordance with the instructions of the Audit & Supervisory Committee. Prior consent from the Audit & Supervisory Committee shall be obtained for personnel changes, personnel evaluations, disciplinary actions, and other relevant actions to ensure the appropriate performance of duties by the employees.

(h) Systems for Directors and employees, etc. to report to Audit & Supervisory Committee Members and other systems related to reporting to Audit & Supervisory Committee Members

Directors, employees, and others of the Group report the following matters to the Audit & Supervisory Committee in accordance with the “Audit Standards of the Audit & Supervisory Committee” and the “Audit Implementation Standards of the Audit & Supervisory Committee for Internal Control Systems.” The Company will not treat the Directors, employees, etc. of the Group unfairly as a result of reporting the following matters to the Audit & Supervisory Committee of the Company.

- Status of development and operation of the internal control system
- Facts that may cause significant damage or disadvantage to the Group
- Facts pertaining to instances where any act in violation of laws and regulations, or the Articles of Incorporation, or any other improper or inappropriate behavior leading to social condemnation has occurred in relation to the execution of duties by Directors and employees
- Issues reported to and deliberated at the Management Committee and other important meetings
- Internal audit plan and other monitoring implementation plan of the Internal Audit Department and the status of their implementation
- Subsidiary management status
- Activities of the Risk and Compliance Committee

b Matters to be resolved at general meetings of shareholders eligible for delegation to the Board of Directors

(a) Acquisition of the Company's own shares

The Articles of Incorporation stipulate that the Company may acquire its own shares upon a resolution of the Board of Directors pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act. The purpose of this provision is to facilitate the flexible acquisition of treasury stock.

(b) Decision-making body on dividends of surplus, etc.

The Articles of Incorporation stipulate that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, shall be determined by a resolution of the Board of Directors without a resolution of a general meeting of shareholders, and that an interim dividend may be paid with September 30 of each year as the record date, unless otherwise provided by law. The purpose of this provision is to enable the Company to return profits to shareholders more flexibly.

(c) Exemption from liability of Directors

The Articles of Incorporation stipulate that, in accordance with Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt a Director (including a former Director) from being held liable for actions specified in Article 423, Paragraph 1 of the Companies Act to the extent permitted by applicable laws and ordinances. The purpose of this provision is to create an environment in which Directors can fully exercise their abilities to fulfill their expected roles in performing their duties.

c Number of Directors

The Articles of Incorporation stipulate that the number of the Company's Directors shall be no more than 10.

d Requirements for the adoption of resolutions for the election of Directors

The Articles of Incorporation stipulate that the presence of shareholders representing no less than one-third of the voting rights held by the total shareholders entitled to exercise their voting rights and a majority of the votes held by those shareholders are required for the adoption of resolutions necessary to approve the election of Directors, and the resolution shall not be adopted by cumulative voting.

e Requirements for the adoption of special resolutions of general meetings of shareholders

The Articles of Incorporation stipulate that the presence of shareholders representing no less than one-third of the voting rights held by the total shareholders entitled to exercise their voting rights and at lease two-thirds of the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders which are stipulated in Article 309, Paragraph 2 of the Companies Act. The purpose of this provision is to facilitate the smooth operation of general meetings of shareholders by easing the quorum requirement for special resolutions.

f Outline of contracts for limitations of liability

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with each Director who is not an Executive Director to limit his or her liability for damages, as stipulated under Article 423, Paragraph 1 of the Companies Act.

The amount of liability under the said agreements shall be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

Such limitation of liability is permitted only when the Director concerned acts in good faith and without gross negligence in the performance of duties that caused the liability.

g Outline of contents for indemnity agreement

The Company has entered into indemnity agreements stipulated in Article 430-2, Paragraph 1 of the Companies Act with all Directors. Under the agreements, the Company will provide compensation for expenses in Paragraph 1, Item 1 of the said Article and losses in Item 2 of the said Paragraph within the range stipulated by laws and regulations. In order to ensure that the appropriate execution of duties by corporate officers is not undermined by the indemnity agreement, the Company stipulates that in the event that an officer executes his or her duties for the purpose of pursuing his or her own or a third party's illicit gain or causing damage to the Company, the Company may claim reimbursement of the expenses under Item 1 of the same paragraph, and in the event that there is malicious intent or gross negligence in the execution of his or her duties, the loss under Item 2 of the same paragraph shall not be covered by indemnity.

h Outline of officers' liability insurance contract

The Company has entered into officers' liability insurance contracts with insurance companies as provided in Article 430-3, Paragraph 1 of the Companies Act with Directors (including Directors who are Audit & Supervisory Committee Members), executive officers and managers etc. of the Company and officers and managers etc. of the Company's subsidiaries as insured persons. This insurance policy covers compensation for indemnities and litigation costs, among other expenses, that would be borne by the insured in the event that the insured receives a claim for damages arising from the performance of duties. Additionally, all premiums for the insured are fully paid by the Company.

4) Activities of the Board of Directors and the Nomination and Compensation Committee

a Board of Directors

In principle, the Board of Directors meets once a month on a regular basis, and extraordinary meetings are held as necessary.

The Board of Directors deliberated and made necessary decisions on the development of various policies, regulations, and internal systems for filing an initial listing application and the preparation of related documents; the formulation and advancement of business strategies, management issues, and business plans; the proposals of general meetings of shareholders; ESG-related matters; the strengthening of development systems; the conclusion of important agreements; the formulation of policies for determining the compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) and the determination of individual compensation; risk and compliance-related matters; and the establishment and operation of internal control systems, among others. Simultaneously it received reports on the status of business execution from Directors and executive officers.

The attendance of each Director for the fiscal year ended March 31, 2023, is as follows:

Position	Name	Attendance
Representative Director	Masahiro Koezuka	14 out of 14 (100%)
Director	Koichi Otsuki	13 out of 14 (93%)
Director	Noriaki Kubo	14 out of 14 (100%)
Director	Yutaka Yoneyama	14 out of 14 (100%)
Director	Shin-ichi Ando	14 out of 14 (100%)
Outside Director	Masatoshi Suzuki	14 out of 14 (100%)
Outside Director	Katsushi Kitajo	14 out of 14 (100%)
Outside Director	Morimasa Ikemoto	3 out of 3 (100%)
Outside Director	Yoshiyuki Miyabe	3 out of 3 (100%)
Outside Director (Audit & Supervisory Committee Member)	Sachiko Kasano	14 out of 14 (100%)
Director (Audit & Supervisory Committee Member)	Tsuyoshi Sakuma	14 out of 14 (100%)
Outside Director (Audit & Supervisory Committee Member)	Yasuyoshi Ichikawa	14 out of 14 (100%)
Outside Director (Audit & Supervisory Committee Member)	Kenji Hanawa	3 out of 3 (100%)

Notes: 1. With respect to Morimasa Ikemoto and Yoshiyuki Miyabe, the situation up to their retirement, resulting from their resignation as Outside Directors, as of the time when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022, is described.

2. With respect to Kenji Hanawa, the situation up to his retirement, resulting from his resignation as Outside Director (Audit & Supervisory Committee Member), as of the time when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022, is described.

b Nomination and Compensation Committee

The Nomination and Compensation Committee meets at least twice in each fiscal year and held 14 meetings in the fiscal year ended March 31, 2023.

The Nomination and Compensation Committee deliberated on the composition of the Board of Directors; policies for the appointment and dismissal of Directors and executive officers; independence standards for Outside Directors; matters related to the compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) and executive officers (basic policy, policies on determining the details of compensation, etc. for individuals, and the details of compensation, etc. for individuals); proposals associated with compensation to be proposed at the General Meeting of Shareholders; and a succession plan, among others. Additionally, it made necessary reports to the Board of Directors.

The attendance of each Committee Member for the fiscal year ended March 31, 2023, is as follows:

Position	Name	Attendance
Chairperson (Outside Director)	Masatoshi Suzuki	14 out of 14 (100%)
Committee Member (Outside Director)	Katsushi Kitajo	13 out of 14 (93%)
Committee Member (Representative Director and CEO)	Masahiro Koezuka	14 out of 14 (100%)

(2) Directors and Officers

1) List of Directors and officers

Male: 8; Female: 2 (ratio of female Directors and officers: 20.0%)

Title	Name	Date of birth	Career summary		Term	Number of shares held (shares)
Representative Director, Chairman, President and CEO	Masahiro Koezuka	December 14, 1951	April 1974 June 2010 May 2013 September 2014 February 2015 April 2016 April 2018 March 2022	Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry) Director, Senior Managing Executive Officer of Fujitsu Limited Director, Senior Executive Vice Chairman Representative Director of Socionext Inc. (Preparation Company) Director Representative Director and Chairman of Fujitsu Research Institute Representative Director, Chairman and CEO of Socionext Inc. Representative Director, Chairman, President and CEO (current position)	(Note 2)	-
Director and Deputy President	Koichi Otsuki	July 22, 1963	April 1988 July 2013 March 2015 October 2016 October 2018 April 2019 June 2019 March 2022 April 2022	Joined Fujitsu Limited Manager of High-Performance Solution Department of Advanced Product Business Headquarters of Fujitsu Semiconductor Limited (currently Fujitsu Limited) Vice President of Custom SoC Business Unit, Business Group II of Socionext Inc. Corporate Senior Vice President Corporate Senior Executive Vice President, Project leader for Custom Business Promotion Project Corporate Senior Executive Vice President, Head of Sales Group Representative Director, Corporate Senior Executive Vice President, Head of Sales Group Director, Corporate Senior Executive Vice President, Head of Sales Group Director and Deputy President in charge of Sales & Business Development as well as Strategic Sourcing & Production Management (current position)	(Note 2)	-
Director and Deputy President	Noriaki Kubo	August 9, 1963	April 1986 October 2012 March 2015 October 2016 June 2018 April 2019 April 2021 April 2022	Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation) Head of Hardware Technology Headquarters, System LSI Division of Panasonic Corporation (currently Panasonic Holdings Corporation) Vice President, IoT Systems Business Unit, Business Group I of Socionext Inc. Corporate Senior Vice President Corporate Senior Executive Vice President of Visual Solutions Business Unit Director, Corporate Senior Executive Vice President, Head of Automotive & Industrial Business Group Director, Corporate Senior Executive Vice President in charge of Business Group Director and Deputy President in charge of Business and Development (current position)	(Note 2)	-

Title	Name	Date of birth	Career summary		Term	Number of shares held (shares)
Director and Corporate Executive Vice President	Yutaka Yoneyama	June 20, 1962	April 1985 April 2013 March 2015 July 2018 July 2020 March 2022 April 2022	Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation) Accounting Group Manager of System LSI Division of Panasonic Corporation (currently Panasonic Holdings Corporation) Deputy General Manager, Corporate Finance Division of Socionext Inc. General Manager, Corporate Finance Division General Manager, Corporate Finance Division and Corporate Affairs & HR Director Senior Vice President of Corporate Finance Division and Corporate Affairs & HR, and Intellectual Property & Legal Director and Corporate Executive Vice President (current position)	(Note 2)	-
Director and Corporate Executive Vice President	Hisato Yoshida	November 3, 1963	April 1988 April 2010 March 2015 April 2019 January 2021 April 2022 June 2023	Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation) Group Manager of Fourth Development Group of First Business Division of System LSI Division of Panasonic Corporation (currently Panasonic Holdings Corporation) Director, Development Department IV of IoT System Business Unit, Business Group I of Socionext Inc. General Manager, System Development Division, Automotive & Industrial Business Group Vice Head of Global Development Group and Vice Head of SNDP Promotion Group Corporate Executive Vice President and Head of Global Development Group Director and Corporate Executive Vice President, and Head of Global Development Group (current position)	(Note 2)	-
Director	Masatoshi Suzuki	October 30, 1951	April 1975 June 2008 June 2012 October 2012 June 2020 June 2021	Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation) Senior Executive Vice President, NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.) Senior Executive Vice President, MIRAIT Holdings Corporation (currently MIRAIT ONE Corporation) Representative Director, President Director and Advisor Outside Director of Socionext Inc. (current position)	(Note 2)	-
Director	Sachiko Kasano	April 14, 1977	October 2001 January 2016 June 2021 March 2022 June 2023 June 2023	Qualified as an attorney and joined Miyakezaka Sogo Law Office Attorney-at-law of Kasumimon Sogo Law Offices (currently SHIOMIZAKA), Attorney (current position) Outside Audit & Supervisory Board Member of Socionext Inc. Outside Director (Audit & Supervisory Committee Member) Outside Director of Socionext Inc. (current position) Outside Director (Audit & Supervisory Committee Member) of Restar Holdings Corporation (current position)	(Note 2)	-

Title	Name	Date of birth	Career summary		Term	Number of shares held (shares)
Director (Audit & Supervisory Committee Member)	Yasuyoshi Ichikawa	July 16, 1961	October 1985 August 2018 December 2020 March 2022 June 2023	Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC) Executive officer of Deloitte Touche Tohmatsu LLC (in charge of Quality Control) Member of Yasuyoshi Ichikawa Certified Public Accountant Office, Certified Public Accountant (current position) Outside Director (Audit & Supervisory Committee Member) (current position) Outside Statutory Auditors of Dai Nippon Printing Co., Ltd. (current position)	(Note 3)	-
Director (Audit & Supervisory Committee Member)	Morimasa Ikemoto	January 4, 1954	April 1979 June 2012 June 2014 June 2016 June 2018 July 2022 June 2023	Joined Fujitsu Limited General Manager, Corporate Internal Audit Division Full-time Corporate Auditor, FUJITSU COMPONENT LIMITED Director (Audit & Supervisory Committee Member) Outside Director of Socionext Inc. Advisor Outside Director (Audit & Supervisory Committee Member) (current position)	(Note 3)	-
Director (Audit & Supervisory Committee Member)	Noriko Yoneda	June 30, 1975	October 2001 October 2014 July 2020 March 2023 June 2023	Qualified as an attorney and joined Tatsuno, Ozaki & Fujii Law Office Joined TMI Associates Established Kobe Grace Law Office, Representative Attorney (current position) Outside Director of KEIWA Incorporated (current position) Outside Director of Socionext Inc. (Audit & Supervisory Committee Member) (current position)	(Note 3)	-
Total						-

Notes: 1 Directors Masatoshi Suzuki, Sachiko Kasano, Yasuyoshi Ichikawa, Morimasa Ikemoto and Noriko Yoneda are Outside Directors.

2 From the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2023, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2024.

3 From the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2023, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025.

4 The number of shares held represents the current status as of March 31, 2023.

5 Director Sachiko Kasano's name on the family register is Sachiko Yanai.

6 Director (Audit & Supervisory Committee Member) Noriko Yoneda's name on the family register is Noriko Oshima.

7 In order to enhance the supervisory function of the Board of Directors and accelerate the execution of business operations by delegating its authority to the executive division, the Company has introduced an executive officer system, separating the "management decision-making and supervisory functions" from the "business execution functions." The following seven executive officers are not serving as Directors.
Mitsugu Naito Corporate Executive Vice President
Tom Miyake Corporate Executive Vice President
Seiji Goto Corporate Senior Vice President
Tadashi Saito Corporate Senior Vice President
Koji Kitamura Corporate Senior Vice President
Yutaka Hayashi Corporate Senior Vice President
Masaitsu Nakajima Corporate Senior Vice President

8 In order to prepare for the case where the number of Directors who are Audit & Supervisory Committee Members falls short of the number stipulated by laws and regulations, the Company has elected one (1) Substitute Director who is an Audit & Supervisory Committee Member as prescribed in Article 329, Paragraph 3 of the Companies Act. The Substitute Director who is an Audit & Supervisory Committee Member is as follows.

Name	Date of birth	Career summary		Number of shares held (shares)
Go Anan	March 20, 1977	October 2001 April 2007 May 2021 June 2022	Qualified as an attorney and joined Mori Sogo (currently Mori Hamada & Matsumoto) Joined Sueyoshi Sogo Law Office (currently SHIOMIZAKA) (current position) Independent Audit & Supervisory Board Member, INFORICH INC. (current position) Outside Director, AGP CORPORATION (current position)	-

2) Outside Directors and Audit & Supervisory Committee Members

The Company has elected two (2) Directors who are not Audit & Supervisory Committee Members and three (3) Directors who are Audit & Supervisory Committee Members as Outside Directors.

Masatoshi Suzuki, Outside Director who is not an Audit & Supervisory Committee Member, has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. Leveraging a wealth of management experience gained from having served as a Representative Director and other positions at listed companies, he supervises and advises management from an objective and neutral standpoint. Therefore, we believe that he will be able to appropriately perform his duties as an Outside Director from an independent position and have elected him Outside Director who is not an Audit & Supervisory Committee Member.

Sachiko Kasano, Outside Director who is not an Audit & Supervisory Committee Member, has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. Based on her extensive experience as an attorney and her deep insight into corporate legal affairs and compliance, she supervises and advises management from an objective and neutral standpoint. While she has no experience of being involved in corporate management other than having served in the past as Outside Officer, the Company concluded that she will be able to perform her duties appropriately from an independent standpoint and has elected her as an Outside Director who is not an Audit & Supervisory Committee Member.

Yasuyoshi Ichikawa, Outside Director (Audit & Supervisory Committee Member), has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. Based on his extensive experience as a certified public accountant and his deep insight into financial accounting, he supervises and advises management from an objective and neutral standpoint. While he has no experience of being involved in corporate management other than having served in the past as Outside Officer, the Company concluded that he will be able to perform his duties appropriately from an independent standpoint and has elected him Outside Director (Audit & Supervisory Committee Member).

Morimasa Ikemoto, Outside Director (Audit & Supervisory Committee Member), has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. He has served as a Director who is an audit and supervisory committee member and a full-time auditor of a listed company, and has considerable knowledge of finance and accounting, internal control and auditing. In addition, from June 2018 to July 2022, he advised the management of the Company as Outside Director of the Company. Therefore, the Company concluded that he will be able to perform his duties appropriately as Outside Director who is an Audit & Supervisory Committee Member and have elected him as Outside Director (Audit & Supervisory Committee Member).

Noriko Yoneda, Outside Director (Audit & Supervisory Committee Member), has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. She has extensive experience as an attorney and deep insight into corporate legal affairs and compliance. While she has no experience of being involved in corporate management other than having served in the past as Outside Officer, the Company concluded that she will be able to perform her duties appropriately from an independent standpoint and has elected her as Outside Director (Audit & Supervisory Committee Member).

The Company has adopted the requirements for independent officers as provided by the Tokyo Stock Exchange and judges the independence of Outside Directors based on the “Independence Standards for Outside Directors” set forth by the Company. In accordance with these standards, the Company has registered the four Outside Directors (Masatoshi Suzuki, Sachiko Kasano, Yasuyoshi Ichikawa, Noriko Yoneda) as Independent Outside Directors with Tokyo Stock Exchange. Although Mr. Ikemoto meets the requirements for Independent Officer stipulated by Tokyo Stock Exchange and the “Independence Standards for Outside Directors” set forth by the Company, the Company has not registered him as an Independent Officer with such exchange.

3) Mutual cooperation between the supervision or auditing by Outside Directors who are not Audit & Supervisory Committees Members or Outside Directors (Audit & Supervisory Committee Members) and internal audits, and between audits by the Audit & Supervisory Committee Members and accounting audits, alongside relationships with the internal control divisions

Outside Directors receive reports on the status of accounting audits, updates on internal audits, and internal controls by attending Board of Directors meetings. Additionally, they foster mutual cooperation with the Audit & Supervisory Committee Members through regular exchange of opinions.

Outside Directors (Audit & Supervisory Committee Members) attend meetings of the Board of Directors, and receive reports from the full-time Audit & Supervisory Committee Member regarding the details of important meetings, the overview of important documents examined, and the status of internal controls, among others, during monthly Audit & Supervisory Committee meetings. This process is in line with the audit policy and audit plan formulated by the Audit & Supervisory Committee, enabling Outside Directors to express their opinions as deemed appropriate while maintaining sufficient communication with the full-time Audit & Supervisory Committee Member. Moreover, the audit plan of the Internal Audit Department is approved by the CEO and the Audit & Supervisory Committee. The results of the audits conducted by the Internal Audit Department are reported to the CEO and the Audit & Supervisory Committee. The Audit & Supervisory Committee may provide instructions to the Internal Audit Department as deemed necessary. Outside Directors (Audit & Supervisory Committee Members) exchange opinions and share information with the Internal Audit Department, the accounting auditor, the Corporate Finance Division, and other relevant internal control divisions at the Audit & Supervisory Committee to enhance the audit and supervisory functions.

(3) Audits

1) Audits by Audit & Supervisory Committee

a. Organization, personnel and procedures for audits by Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three Outside Directors who are Audit & Supervisory Committee Members. In addition, to support the duties of the Audit & Supervisory Committee, the Company established a dedicated Audit & Supervisory Committee Secretariat (3 persons).

Yasuyoshi Ichikawa, who serves as the Chairperson of the Audit & Supervisory Committee, is a certified public accountant with extensive experience in and deep insight into finance and accounting. Mr. Ichikawa, the full-time Audit & Supervisory Committee Member, has served as a full-time auditor and a Director who is an audit and supervisory committee member of a listed company, and has considerable knowledge of finance and accounting, internal control and auditing. Noriko Yoneda is a qualified attorney with extensive experience in and deep insight into corporate legal affairs and compliance.

In accordance with the annual audit plan formulated by the Audit & Supervisory Committee, the Audit & Supervisory Committee Members audit and supervise the execution of duties by Executive Directors by attending regular meetings of the Board of Directors and other important meetings, as well as examining important documents.

b. Activities of Audit & Supervisory Committee Members and Audit & Supervisory Committee

The activities conducted in the fiscal year ended March 31, 2023, are as follows:

Position	Name	Attendance	
Outside Director (Audit & Supervisory Committee Member)	Sachiko Kasano	17 out of 17	(100%)
Outside Director (Audit & Supervisory Committee Member)	Yasuyoshi Ichikawa	17 out of 17	(100%)
Outside Director (Audit & Supervisory Committee Member)	Kenji Hanawa	6 out of 6	(100%)
Director (Full-time Audit & Supervisory Committee Member)	Tsuyoshi Sakuma	17 out of 17	(100%)

Note: With respect to Kenji Hanawa, the situation up to his retirement, resulting from his resignation as Outside Director (Audit & Supervisory Committee Member), as of the time when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022, is described.

Specifically, the Audit & Supervisory Committee grasps the progress of management and business through interviews with Directors and executive officers, making judgments on the legality and appropriateness of management execution, and so forth. All members of the Audit & Supervisory Committee attend meetings of the Board of Directors to conduct audits and supervise the status of deliberations of the Board of Directors, important decision-making processes related to management strategies, corporate governance, and more. In addition, the Audit & Supervisory Committee exchanges information and opinions with the accounting auditor to promote mutual understanding regarding the status of audit implementation through regular quarterly meetings and additional meetings as necessary. Furthermore, the Audit & Supervisory Committee reviews the election, compensation, and other matters related to Directors who are not Audit & Supervisory Committee Members to determine the opinions of the Audit & Supervisory Committee.

The full-time Audit & Supervisory Committee Member attends important meetings, such as the Management Committee, conducts interviews with Directors and executive officers of the Company, and presidents of its subsidiaries, and examines important agreements, approval documents, and other records. Subsequently, he audits the status of business execution and other relevant matters, reporting the results to the Audit & Supervisory Committee.

2) Internal audits

The Company has established the Internal Audit Department consisting of six dedicated employees directly under the purview of the CEO. In accordance with the annual audit plan approved by the CEO and the Audit & Supervisory Committee, the Internal Audit Department conducts audits on divisions, including overseas Group companies, as part of the audit scope. The audit results are then reported to the CEO and the Audit & Supervisory Committee in a timely manner. The Internal Audit Department also has the function of evaluating internal control over financial reporting in accordance with the Financial Instruments and Exchange Act, and collects timely information from the internal control division and other related divisions. Internal control policies and evaluation results are shared with the accounting auditor in a timely manner to enhance cooperation.

The audit system of the Company consists of the Audit & Supervisory Committee, the accounting auditor, and the Internal Audit Department, working collaboratively to conduct audits. The Audit & Supervisory Committee and the Internal Audit Department share internal audit reports and other information as appropriate to enhance communication. The Audit & Supervisory Committee also conducts regular consultations with the accounting auditor, receives reports on audit plans, and shares information, including identified issues, as appropriate during the fiscal year. In addition, the committee requests status reports at the conclusion of the accounting audit at the end of the fiscal year. The Internal Audit Department exchanges information with the accounting auditor to enhance cooperation.

The Audit & Supervisory Committee, the accounting auditor, and the Internal Audit Department share information with the Corporate Finance Division and other relevant internal control divisions as appropriate during their respective audit procedures. They also exchange opinions on risk assessment, the effectiveness of internal control, and other related matters.

3) Accounting audits

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. The length of years the Accounting Auditor has served

Since the founding of the Company in the fiscal year ended March 31, 2015

c. Certified public accountant who executed the audit duties

Noriyasu Hanafuji
Shinichi Masuda

d. Composition of assistants to the audit

Seven certified public accountants, five persons who have passed the Certified Public Accountant Examination and 12 other individuals assisted the duties of accounting audits for the Company.

e. Policy and reasons for selection of audit firm

The Audit & Supervisory Committee conducts procedures for the appointment, reappointment, and dismissal of the accounting auditor, and evaluates the accounting auditor's execution of duties. When appointing a new accounting auditor, the Audit & Supervisory Committee requests multiple audit firms to present a proposal regarding the overview of the audit firm, the system for conducting audits, the estimated amount of audit fees, among others, and makes a decision upon verification of the appropriateness of such account auditor's audit system, independence, expertise, and other factors. The Audit & Supervisory Committee appointed Ernst & Young ShinNihon LLC as its current accounting auditor because it determined that Ernst & Young ShinNihon LLC was the most appropriate audit firm as a result of a comprehensive comparative review of the firm's quality control, audit system, independence, and expertise required to conduct accounting audits appropriately.

Meanwhile, in the event any of the reasons stipulated in Article 340, Paragraph 1 of the Companies Act becomes applicable to the accounting auditor, the Audit & Supervisory Committee shall dismiss the accounting auditor based on the unanimous agreement of Audit & Supervisory Committee Members as necessary.

In addition, other than the above, in the event that it is deemed difficult to conduct a proper audit due to the occurrence of events that impair the qualifications and independence of the accounting auditor, the Audit & Supervisory Committee shall determine the content of proposals regarding the dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders.

f. Evaluation of audit firm by Audit & Supervisory Committee

Apart from assessing the expertise and independence of the accounting auditor, the Audit & Supervisory Committee evaluates the accounting auditor from the perspectives of quality control in audit operations, the quality of audit teams, communication with management and the internal audit divisions, responses to fraud risks, and other relevant elements.

4) Details of audit fees, etc.

a. Fees to Certified Public Accountants, etc. for audits

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit attestation services (million yen)	Fees for non-audit services (million yen)	Fees for audit attestation services (million yen)	Fees for non-audit services (million yen)
Reporting company	56	-	78	28
Consolidated subsidiaries	-	-	-	-
Total	56	-	78	28

The non-audit services rendered to the Company represent services related to the preparation of comfort letters for filing an initial listing application, with consideration provided.

b. Fees to organizations within the same network (EY member firms) that the Certified Public Accountants, etc. for audits belong to (excluding fees specified in a. above)

Category	Fiscal year ended March 31, 2022		Fiscal year ended March 31, 2023	
	Fees for audit attestation services (million yen)	Fees for non-audit services (million yen)	Fees for audit attestation services (million yen)	Fees for non-audit services (million yen)
Reporting company	-	-	-	-
Consolidated subsidiaries	16	-	47	-
Total	16	-	47	-

c. Fees for other significant audit attestation services

Not applicable.

d. Policy on determining audit fees

The Company determines fees to the accounting auditor with the consent of the Audit & Supervisory Committee after consulting with the accounting auditor on the content of audit plans in light of the effectiveness and efficiency of such plans, and examining, among other factors, the number of hours required for the accounting auditor to conduct necessary audits.

e. Reasons for the consent of the Audit & Supervisory Committee to the fee amount for the accounting auditor

In addition to obtaining necessary materials and receiving reports from Directors, relevant departments within the Company, and the accounting auditor, the Audit & Supervisory Committee reviewed the execution of the audit plan and audit procedures, and the appropriateness of the estimated fees for the period. As a result, the Audit & Supervisory Committee determined and agreed that the fees to the accounting auditor were at a reasonable level in order to maintain and improve the quality of audits.

(4) Compensation, etc. for Directors and officers

1 Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The Board of Directors resolved at its meeting held on July 27, 2022, the policy on determining the content of compensation, etc. for individual Directors (excluding Directors who are Audit & Supervisory Committee Members), and a summary of the content is as follows.

<Details of compensation system for Directors and officers>

1) Basic views

The Company's views on compensation for Directors and officers are as follows:

- Highly linked to the company's performance and highly transparent and objective
- Enhancement of corporate value and compensation should be linked in order to share a sense of interest with shareholders
- Contribute to securing and retaining a global management team that meets qualified capability requirements in realizing the corporate vision

Compensation for Executive Directors among Directors consists of a basic compensation based on the compensation standard for the position, and cash and stock incentive compensation reflecting the level of achievement of the company's performance in each fiscal year. In stock incentive compensation, the Company grants performance-based restricted stock.

Compensation for Independent Outside Directors (non-executive Directors) among Directors is fixed basic compensation only in light of their role in supervising business execution.
If the Company appoints a non-executive Director who does not fall under any of the above categories, the compensation for such non-executive Director will be considered separately based on a report by the Nomination and Compensation Committee.

Eligible Directors	Contents	Basic compensation	Incentive compensation	
			Cash	Stock
Executive Director	To achieve performance targets and increase shareholder value, basic compensation and incentive compensation (cash and stock) will be provided.	✔	✔	✔
Independent Outside Directors	To ensure independence, only basic compensation that is not linked to performance will be paid.	✔	-	-

2) Compensation level

In light of the business environment surrounding the Company, we will objectively compare compensation levels with those of other companies in the same industry or other companies of the same size, based on the data from research firms, and establish appropriate levels relevant for the positions.

3) Process for determining compensation

The Company has established a voluntary Nomination and Compensation Committee to ensure the appropriateness of compensation levels and amounts and the transparency of the decision-making process. The chairman and the majority of committee members are Independent Outside Directors.
The Board of Directors consults with the Nomination and Compensation Committee on basic policies and decision procedures. The recommendations of the Nomination and Compensation Committee are deliberated by the Board of Directors, and the Board of Directors decides the basic policy and decision procedures and makes a resolution on the agenda for the General Meeting of Shareholders in the event that the upper limit of total compensation is reviewed.
The specific amount of basic compensation and incentive compensation (cash and stock) for each individual is determined within the total amount of compensation approved by the General Meeting of Shareholders, based on the report made by the Nomination and Compensation Committee to the Board of Directors, and subject to approval by the Nomination and Compensation Committee, and is determined at the discretion of Masahiro Koezuka, Representative Director, Chairman and President, based on a resolution of the Board of Directors.

<Compensation structure>

The compensation structure of the Company's Directors is as follows:

1) Executive Director

Type of compensation		Outline	Fixed/Variable	Payment method	Percentage to total
Basic compensation		Based on the scope of responsibility and role (position) in the Company, a fixed amount is paid as basic compensation	Fixed	Cash payment	60%
Incentive compensation	Cash	Payment by cash (bonus) as performance-based compensation based on the evaluation of performance results in the target year	Variable	Cash payment	20%
Incentive compensation	Stock	Payment by stock as performance-based compensation based on the evaluation of performance results in the target year	Variable	Payment by stock	20%

Notes: 1. Stocks are distributed to Directors after the end of the relevant fiscal year by providing monetary compensation claims to grant performance-based restricted stock compensation and having the Directors pay the full amount of the monetary compensation claims as property contributed in kind. In addition, compensation for granting performance-based restricted stock will be paid on or after the listing date.
2. Percentage figures are estimates and are the percentages when 100% of the performance targets are achieved.

a Basic compensation

Basic compensation is determined, referring to the amount of past compensation, by comparing with the performance of other companies in the same industry or similar size. Basic compensation is paid as monthly compensation in a fixed amount.

b Incentive compensation (cash, stock)

(a) Structure

In the evaluation items and indicators for the performance-based portion, we consider “net sales,” “operating profit,” and “design win amount,” which are used as numerical targets in the management plan, as quantitative items, with a weighting of approximately 25% each, and also take into account business transformation, growth strategy, ESG measures, etc. as qualitative items as below with a weighting of approximately 25%. In addition, we evaluate all of these items based on comprehensive judgment by the Nomination and Compensation Committee. We selected the indicators because we believe that quantitative items are numerical targets in the Company's management plan and qualitative items are essential for the sustainable development of the Company. The results of the evaluation are reported to and deliberated by the Board of Directors.

Items subject to evaluation	Items in evaluation	Evaluation timing	Evaluation indicator (target)		Weighting percentage	Variation range
Degree of target achievement in target fiscal year	Common Items	At the end of the target fiscal year	Quantitative items	Net sales	25%	The Nomination and Compensation Committee makes a judgment within the range of 0 - 150% by comprehensively considering the degree of achievement of each item.
				Operating income	25%	
				Design win amount	25%	
	Individual items		Qualitative items	Business transformation, growth strategy, ESG measures, etc.	25%	
					100%	

Notes: 1. We will consider adding ROE to the evaluation indicator (target) for judgement in the future.
2. We set minimum goals for each evaluation indicator (target). We also set a cap on incentives and determine the evaluation level so that the rate of achievement and the payment amount are consistent.
3. Net sales, which are set as an evaluation indicator (target) for the performance-based portion, reached 192.8 billion yen for fiscal year ended March 31, 2023, as opposed to the initial financial results forecast of 170 billion yen. Operating profit for the same period was 21.7 billion yen, compared with the initial forecast of 17 billion yen. The design win amount for the same period came to approximately 250 billion yen as we had aimed to acquire design wins that could exceed the previous year's amount of about 200 billion yen.

(b) Payment of incentive compensation (cash)

After the end of the fiscal year, the Nomination and Compensation Committee makes a comprehensive judgement of the level of achievement of evaluation indicators and submits a report within the range of 0 - 150% to the Board of Directors, which deliberates and determines the level of incentive compensation (cash) payment. Payment is made in cash in June of the fiscal year following the target fiscal year of performance evaluation.

<Conceptual image of evaluation>

Fiscal year before target fiscal year	Target fiscal year				Fiscal year following target fiscal year
4th quarter	1st quarter	2nd quarter	3rd quarter	4th quarter	1st quarter
Target setting		Evaluation period			Final evaluation and payment (June)

(c) Payment of incentive compensation (stock)

i Event

After the end of the fiscal year, the Nomination and Compensation Committee makes a comprehensive judgement of the level of achievement of evaluation indicators and submits a report within the range of 0 - 150% to the Board of Directors, which deliberates and determines the level of incentive compensation (stock) payment. When the performance evaluation period ends and Eligible Directors meet the following requirements, the Company shall deliver performance-based restricted stock to each Eligible Director by providing monetary compensation claims to grant performance-based restricted stock to each Eligible Director and having each Eligible Director pay the full amount of such monetary compensation claims as property contributed in kind.

- During the performance evaluation period and up to and including immediately prior to the conclusion of the first ordinary general meeting of shareholders held after the end of the performance evaluation period, the Eligible Directors continued to hold the positions among positions of Socionext Personnel of the Company as predetermined by the Board of Directors of the Company.
- He or she does not fall under certain illegal acts or other reasons for non-payment as determined by the Board of Directors of the Company.

The performance-based restricted stock will be delivered by means of the issuance of new shares or the disposition of treasury stock by the Company, and the amount to be paid in per share will be determined by the Board of Directors on the basis of the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors of the Company regarding the allotment of performance-based restricted stock (if a trade is not made on the said day, the closing price on the immediately preceding trading day) to the extent that the amount is not particularly favorable to Eligible Directors who will subscribe for such common stock.

ii Transfer restriction period

Eligible Directors shall not transfer, create a security interest on or dispose otherwise of the shares of common stock of the Company allotted to them (hereafter referred to as the “Allotted Shares”) under the allotment agreement (hereafter referred to as “Transfer Restrictions”). This shall apply during the period from the date of allotment of the performance-based restricted stock under the Restricted Stock Allotment Agreement to be separately concluded with the Company (hereafter referred to as the “Allotment Agreement”) until the date of retirement from the positions among Socionext Personnel of the Company as predetermined by the Board of Directors of the Company (hereafter referred to as the “Transfer Restriction Period”).

iii Treatment at the time of retirement

If an Eligible Director retires from one of the positions of officer or employee of the Company as predetermined by the Board of Directors of the Company, the Company will naturally acquire the Allotted Shares free of charge, unless his or her term of office expires, he or she dies, or the Board of Directors determines that there are other valid reasons for his or her retirement.

iv Lifting of Transfer Restrictions, etc.

The Company will release Transfer Restrictions on all of the Allotted Shares upon the expiration of the Transfer Restriction Period, provided that the Eligible Directors have continued to hold positions among Socionext Personnel of the Company as predetermined by the Board of Directors of the Company during the Transfer Restriction Period.

	Year X March	Year X+1 March	Year X+2 March	Year X+3 March	Year X+4 March	Year X+5 March	Year X+6 March
Year X+1 March	Target setting	Evaluation period	Evaluation and grant (June, July)		Transferable after retirement		
Year X+2 March		Target setting	Evaluation period	Evaluation and grant (June, July)		Transferable after retirement	
Year X+3 March			Target setting	Evaluation period	Evaluation and grant (June, July)	Transferable after retirement	

2) Independent Outside Directors

In view of the role of supervising the execution of business, only fixed basic compensation is paid.

2 Compensation for Directors who are Audit & Supervisory Committee Members

The compensation for Directors who are Audit & Supervisory Committee Members has been determined through discussion among Directors who are Audit & Supervisory Committee Members. In view of the role of supervising the execution of business, only fixed basic compensation is paid, based on the position held by the full-time Audit & Supervisory Committee Member and part-time Members.

3 Details of the resolution of the General Meeting of Shareholders on compensation, etc.

<Directors (excluding Directors who are Audit & Supervisory Committee Members>

At the Extraordinary General Meeting of Shareholders on July 27, 2022, it was resolved by a deemed resolution that the total amount of monetary compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) should be no more than 550 million yen per year (up to 45 million yen for Outside Directors; however, this does not include the employee salaries of Directors who also serve as employees). And the specific amount of basic compensation for each individual has been decided by the Board of Directors on condition that the decision is made based on the report made by the Nomination and Remuneration Committee to the Board of Directors, and subject to approval of the Nomination and Remuneration Committee, and left to the discretion of Masahiro Koezuka, Representative Director, Chairman and President. The reason for delegating this authority was that the Representative Director was judged to be suitable for evaluating the division in which each Director is in charge, taking into account the performance of the Company as a whole. The number of Directors at the time the proposal pertaining to the deemed resolution was made (excluding Directors who are Audit & Supervisory Committee Members) was nine, two of whom resigned when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022, so the number of Directors at the time when the said resolution was deemed to have been made was seven.
In addition, separately from the monetary compensation, the introduction of a performance-based restricted stock compensation plan was approved by a deemed resolution at the above-mentioned extraordinary general meeting of shareholders. Specifically, the resolution stipulates that the total amount of monetary compensation claims to be paid to eligible Directors for the grant of performance-based restricted stock compensation shall not exceed 170 million yen per year (however, this does not include the employee salaries of Directors who also serve as employees). And it states that eligible Directors shall pay all such monetary compensation claims in the form of property contributed in kind and receive the issuance or disposition of the Company's common stock, whereby the total number of the Company's common stock to be issued or disposed of shall not exceed 200,000 shares per year (however, adjustments will be made in the event of a stock split or consolidation of the Company's common stock). The number of eligible Directors at the time when the said resolution was deemed to have been made was five.

<Directors who are Audit & Supervisory Committee Members>

At the Extraordinary General Meeting of Shareholders held on July 27, 2022, it was resolved by a deemed resolution that the compensation for Directors who are Audit & Supervisory Committee Members shall be fixed basic compensation only and no more than 200 million yen per year (including no more than 80 million yen for Outside Directors), taking into account the nature of their roles and duties. The specific amount of basic compensation for each individual has been determined through discussion among Directors who are Audit & Supervisory Committee Members. The number of Directors who are Audit & Supervisory Committee Members at the time the proposal pertaining to the deemed resolution was made was four, one of whom resigned when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022, so the number of Directors who are Audit & Supervisory Committee Members at the time when the said resolution was deemed to have been made was three.

4 Total amount of compensation, etc. by officer category and by compensation type, and number of eligible officers

Category	Total amount of compensation, etc. (Million yen)	Total amount of compensation, etc. by type (million yen)			Number of eligible officers (persons)
		Fixed compensation	Performance-based compensation	Non-monetary compensation, etc. (included in performance-based compensation)	
Directors (excluding Directors who are Audit & Supervisory Committee Members)	214	178	36	-	9
(of which, Outside Directors)	(23)	(23)	(-)	(-)	(4)
Director (Audit & Supervisory Committee Member)	48	40	8	-	4
(of which, Outside Directors)	(20)	(20)	(-)	(-)	(3)
Total	262	218	44	-	13
(of which, Outside Directors)	(43)	(43)	(-)	(-)	(7)

Notes: 1. The amounts for Directors (excluding Directors who are Audit & Supervisory Committee Members) include payment to two Directors (excluding Audit & Supervisory Committee Members), of which two are Outside Directors, who retired when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022.

2. The amounts for Directors who are Audit & Supervisory Committee Members include payment to one Director who is an Audit & Supervisory Committee Member, of which one is Outside Director, who retired when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022.

5 Total amount of compensations, etc. for officers receiving 100 million yen or more in total as compensation, etc.

This information is omitted because no one received 100 million yen or more in total as compensation, etc.

6 Significant portion of employee salaries of Directors who concurrently serve as employees

Not applicable.

(5) Shareholdings

1) Standards for and concepts of the classification of investment shares

The Company classifies investment shares into two groups: “investment shares for pure investment purposes,” held solely for the purpose of changes in the value of shares or dividends; and “investment shares for purposes other than pure investment,” held for other purposes.

2) Purpose of holding shares: “Investment shares for purposes other than pure investment”

a. Shareholding policy, method for verifying the rationale behind shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual issues

In line with its policy, the Company, in principle, does not hold “investment shares for purposes other than pure investment.”

While the Company currently has no intention of acquiring “investment shares for purposes other than pure investment,” if such acquisition becomes necessary in the future from the perspective of management strategy, etc., the acquisition will be limited to cases that contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium to long term. In addition, the Board of Directors will confirm the significance of acquiring each stock in advance, and after the acquisition, the appropriateness of the holding will be confirmed and reviewed annually.

The exercise of voting rights in connection with “investment shares held for purposes other than pure investment” is judged on the basis of whether it contributes to the enhancement of the corporate value of the Company.

b. Number of issues and the amount recorded in the balance sheet

	Number of issues (Issues)	Total amount recorded in the balance sheet (Million yen)
Unlisted shares	2	0
Shares other than unlisted shares	-	-

(Issues whose number of shares increased in the fiscal year ended March 31, 2023)

	Number of issues (Issues)	Total amount acquired due to increase in number of shares (million yen)	Reason for increase in number of shares
Unlisted shares	-	-	-
Shares other than unlisted shares	-	-	-

(Issues whose number of shares decreased in the fiscal year ended March 31, 2023)

	Number of issues (Issues)	Total proceeds from sale due to decrease in number of shares (million yen)
Unlisted shares	-	-
Shares other than unlisted shares	-	-

c. Information on the number of specified investment shares and deemed holdings of shares by issue, the amount recorded in the balance sheet, etc.

Not applicable.

3) Purpose of holding shares: “Investment shares for pure investment purposes”

Not applicable.

4) Investment shares reclassified from held for pure investment to held for purposes other than pure investment to during the fiscal year ended March 31, 2023

Not applicable.

5) Investment shares reclassified from held for purposes other than pure investment to held for pure investment during the fiscal year ended March 31, 2023

Not applicable.

V Financial Information

1. Method of Preparation of Consolidated and Non-consolidated Financial Statements

(1) The Company prepares its consolidated financial statements in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Order No. 28 of 1976; hereafter referred to as the "Regulations on Consolidated Financial Statements").

(2) The Company prepares its non-consolidated financial statements in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements." (Ministry of Finance Order No. 59 of 1963; hereafter the "Regulation on Financial Statements").
In addition, as a special company submitting financial statements, the Company prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

2. Audit Certification

Pursuant to the provisions set forth in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company's consolidated financial statements in Japanese for the fiscal year (from April 1, 2022 to March 31, 2023) and non-consolidated financial statements in Japanese for the fiscal year (from April 1, 2022 to March 31, 2023) have been audited by Ernst & Young ShinNihon LLC.

3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, Etc.

The Company undertakes special measures to ensure the appropriateness of consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF) in order to appropriately understand the details of accounting standards and other relevant information and to ensure a framework for accurately responding to changes in the accounting standards.

1 Consolidated Financial Statements, Etc.

(1) Consolidated Financial Statements

1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash on hand and in banks	46,271	45,136
Accounts receivable-trade, net	25,053	40,809
Finished goods	1,488	8,187
Work in process	14,921	39,528
Accounts receivable-other	914	16,209
Other current assets	1,969	6,198
Total current assets	90,616	156,067
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,371	2,583
Machinery and equipment, net	11	8
Tools, furniture and fixtures, net	8,159	13,438
Land	800	800
Construction in progress	287	351
Total property, plant and equipment, net	* 11,628	* 17,180
Intangible assets		
Technology assets	11,172	11,494
Other intangible assets	1,076	1,468
Total intangible assets	12,248	12,962
Investments and other assets		
Investment securities	0	0
Deferred tax assets	3,098	6,897
Other assets	838	839
Total investments and other assets	3,936	7,736
Total non-current assets	27,812	37,878
Total assets	118,428	193,945

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	16,609	23,421
Accounts payable-other	2,054	24,551
Accrued expenses	4,865	5,755
Income taxes payable	2,609	6,942
Liabilities related to chargeable subcontracting	-	18,869
Other current liabilities	1,304	2,800
Total current liabilities	27,441	82,338
Long-term liabilities		
Asset retirement obligations	316	343
Other long-term liabilities	1,062	1,400
Total long-term liabilities	1,378	1,743
Total liabilities	28,819	84,081
Net assets		
Shareholders' equity		
Common stock	30,200	30,200
Capital surplus	30,200	30,200
Retained earnings	28,867	48,630
Total shareholders' equity	89,267	109,030
Accumulated other comprehensive income		
Foreign currency translation adjustments	330	822
Total accumulated other comprehensive income	330	822
Share subscription rights	12	12
Total net assets	89,609	109,864
Total liabilities and net assets	118,428	193,945

2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	117,009	192,767
Cost of sales	49,751	103,922
Gross profit	67,258	88,845
Selling, general and administrative expenses	*1, 2 58,795	*1, 2 67,134
Operating income	8,463	21,711
Non-operating income		
Foreign exchange gain	589	1,601
Other income	14	165
Total non-operating income	603	1,766
Non-operating expenses		
Other expenses	16	37
Total non-operating expenses	16	37
Ordinary income	9,050	23,440
Profit before income taxes	9,050	23,440
Income taxes–current	2,347	7,382
Income taxes–deferred	(777)	(3,705)
Total income taxes	1,570	3,677
Profit	7,480	19,763
Profit attributable to non-controlling interests	0	-
Profit attributable to owners of parent	7,480	19,763

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	7,480	19,763
Other comprehensive income		
Foreign currency translation adjustments	560	492
Total other comprehensive income	* 560	* 492
Comprehensive income	8,040	20,255
Total comprehensive income attributable to:		
Owners of parent	8,037	20,255
Non-controlling interests	3	-

3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity			
	Common stock	Capital surplus	Retained earnings	Total shareholders' equity
Balance as of April 1, 2021	30,200	30,200	21,387	81,787
Changes during the year				
Profit attributable to owners of parent			7,480	7,480
Net changes in items other than those in shareholders' equity				-
Total changes during the year	-	-	7,480	7,480
Balance as of March 31, 2022	30,200	30,200	28,867	89,267

	Accumulated other comprehensive income		Share subscription rights	Non-controlling interests	Total net assets
	Foreign currency translation adjustments	Total accumulated other comprehensive income			
Balance as of April 1, 2021	(227)	(227)	12	104	81,676
Changes during the year					
Profit attributable to owners of parent					7,480
Net changes in items other than those in shareholders' equity	557	557		(104)	453
Total changes during the year	557	557	-	(104)	7,933
Balance as of March 31, 2022	330	330	12	-	89,609

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of April 1, 2022	30,200	30,200	28,867	-	89,267
Changes during the year					
Issuance of new shares					-
Profit attributable to owners of parent			19,763		19,763
Acquisition of treasury stock				(0)	(0)
Cancellation of treasury stock		(0)		0	-
Transfer from retained earnings to capital surplus		0	(0)		-
Net changes in items other than those in shareholders' equity					-
Total changes during the year	-	-	19,763	-	19,763
Balance as of March 31, 2023	30,200	30,200	48,630	-	109,030

	Accumulated other comprehensive income		Share subscription rights	Total net assets
	Foreign currency translation adjustments	Total accumulated other comprehensive income		
Balance as of April 1, 2021	330	330	12	89,609
Changes during the year				
Issuance of new shares				-
Profit attributable to owners of parent				19,763
Acquisition of treasury stock				(0)
Cancellation of treasury stock				-
Transfer from retained earnings to capital surplus				-
Net changes in items other than those in shareholders' equity	492	492		492
Total changes during the year	492	492	-	20,255
Balance as of March 31, 2023	822	822	12	109,864

4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	9,050	23,440
Depreciation and amortization	8,819	12,075
Interest and dividend income	(6)	(141)
Foreign exchange (gain) loss	(5)	-
Loss on retirement of non-current assets	1,060	2,172
Loss (gain) on sale of non-current assets	0	(29)
Decrease (increase) in accounts receivable	4,301	(15,162)
Decrease (increase) in inventories	(9,720)	(31,301)
Increase (decrease) in accounts payable	3,599	5,880
Decrease (increase) in other assets	(171)	(19,309)
Increase (decrease) in other liabilities	(467)	43,077
Other	244	527
Subtotal	16,704	21,229
Interest and dividends received	6	141
Income taxes paid	(355)	(3,351)
Net cash provided by operating activities	16,355	18,019
Cash flows from investing activities		
Purchases of property, plant and equipment	(7,544)	(12,629)
Purchases of intangible assets	(5,234)	(7,144)
Proceeds from sales of non-current assets	0	29
Net decrease in time deposits	5,000	-
Other	(160)	19
Net cash used in investing activities	(7,938)	(19,725)
Cash flows from financing activities		
Repayments of lease obligations	(329)	(333)
Repayments to non-controlling shareholders	(129)	-
Net cash used in financing activities	(458)	(333)
Effect of exchange rate changes on cash and cash equivalents	647	904
Net increase (decrease) in cash and cash equivalents	8,606	(1,135)
Cash and cash equivalents at the beginning of the fiscal year	37,665	46,271
Cash and cash equivalents at the end of the fiscal year	* 46,271	* 45,136

Notes to Consolidated Financial Statements

Significant matters that form the basis for preparation of consolidated financial statements

1. Scope of consolidation

(1) There are six consolidated subsidiaries.

Names of consolidated subsidiaries

Socionext America Inc.
Socionext Europe GmbH
Socionext Technology Pacific Asia Ltd.
Socionext Technology (Shanghai) Co., Ltd.
Socionext Taiwan Inc.
Socionext Korea Ltd.

(2) There are no unconsolidated subsidiaries.

2. Application of equity method

There is one affiliate accounted for by the equity method.

Name of the affiliate

Trinity Semiconductor Research LLC

3. Fiscal years and other matters of consolidated subsidiaries

Among the consolidated subsidiaries, Socionext Technology (Shanghai) Co., Ltd., whose account closing date is December 31, has been consolidated using the financial statements provisionally closed as of the closing date of the consolidated financial statements.

4. Accounting policies

(1) Basis and method for valuation of significant assets

1) Securities

Available-for-sale securities:

Other than eruity securities with no market prices

Stated at market value (net unrealized gain or loss are reported as a separate component of net assets and the cost of securities sold being calculated on the moving-average method).

Equity securities etc. with no market prices

Stated at cost based on the moving-average method.

2) Derivatives

Stated at fair value based on the market value method.

3) Inventories

Inventories held for ordinary sales are stated at cost based on the weighted-average method (balance sheet amounts are written down based on the decreased profitability).

(2) Method of depreciation and amortization for significant depreciable assets

1) Property, plant and equipment (excluding leased assets)

Depreciation is calculated by the straight-line method.

The useful lives are expected as follows:

Buildings and structures 2 to 20 years
Machinery and equipment .... 3 to 5 years
Tools, furniture and fixtures .... 3 to 10 years

2) Intangible assets

Depreciation is calculated by the straight-line method.

Among all, technology assets and internal-use software are amortized using the straight-line method over the internally expected useful lives (up to five years).

3) Leased assets

Leased assets under finance leases that do not transfer ownership of the leased assets are calculated using the straight-line method with the lease period as the useful life and no residual value.

(3) Basis of recording significant revenues and expenses

With respect to the sale of semiconductor products, the Company recognizes the revenue at the time of delivery of the product (or at the time of deemed arrival of the product if the lead time of transportation can be measured) because the Company judges that the Company's performance obligation is fulfilled when the customer gains control over the product at the time of delivery of the product.

(4) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and exposed to only an insignificant risk of fluctuation in value.

Significant accounting estimates

- Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	3,098	6,897

(2) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recognized only for tax credits and deductible temporary differences that are more likely to be applicable to future taxable income. The timing and amount of taxable income may be affected by future changes in uncertain economic conditions, and if the timing and amount of taxable income differ from the estimates, it may have a material impact on the amount recognized in the consolidated financial statements for the following fiscal year and thereafter.

Changes in accounting policies

Implementation Guidance on Accounting Standard for Fair Value Measurement

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereafter referred to as the “Guidance on Accounting Standard for Fair Value Measurement”) has been applied from the beginning of the fiscal year under review, and the new accounting policies set forth in the Guidance on Accounting Standard for Fair Value Measurement are being applied prospectively in accordance with the transitional treatment set forth in Article 27, Paragraph 2 of the Guidance on Accounting Standard for Fair Value Measurement. The application of the Guidance on Accounting Standard for Fair Value Measurement has no impact on consolidated financial statements for the fiscal year under review.

Additional information

Accounting estimates related to the impact of COVID-19

While the impact of COVID-19 on the Group varies across businesses and regions in terms of scale, the effects on sales and other elements have been limited. Consequently, the Company has concluded that its accounting estimates at the end of the fiscal year under review remain relatively unaffected, especially regarding the impairment of non-current assets and the recoverability of deferred tax assets.

Consolidated balance sheets

* Accumulated depreciation of property, plant and equipment is as follows:

	As of March 31, 2022	As of March 31, 2023
Buildings and structures	2,111 million yen	2,577 million yen
Machinery and equipment	92 million yen	99 million yen
Tools, furniture and fixtures	23,282 million yen	27,707 million yen
Total	25,485 million yen	30,383 million yen

Consolidated statements of income

*1 Major items of selling, general and administrative expenses and their amounts are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Research and development expenses	43,177 million yen	49,324 million yen
Salaries and allowances	8,613 million yen	9,584 million yen
Retirement benefit expenses	316 million yen	315 million yen

*2 Total amounts of research and development expenses included in general administrative expenses are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Research and development expenses	43,177 million yen	49,324 million yen

Consolidated statements of comprehensive income

* Reclassification adjustments and tax effects associated with other comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Foreign currency translation adjustments		
Gain arising during the period	560	492
Total other comprehensive income	560	492

Consolidated statements of changes in net assets

For the fiscal year ended March 31, 2022

1. Type and total number of issued shares

Type of shares	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common stock (shares)	60,000,000	-	-	60,000,000
Type A shares (shares)	40,000,000	-	-	40,000,000
Type B shares (shares)	20,800,000	-	-	20,800,000
Total (shares)	120,800,000	-	-	120,800,000

2. Share subscription rights

Company name	Details	Type of shares to be issued	Number of shares to be issued (shares)				Balance at end of period (Million yen)
			At beginning of period	Increase	Decrease	At end of period	
Reporting company	2018 Share Subscription Rights as Stock Options	-	-	-	-	-	12

For the fiscal year ended March 31, 2023

1. Type and total number of issued shares and treasury stock

Type of shares	At beginning of period	Increase	Decrease	At end of period
Issued shares				
Common stock (shares)	60,000,000	18,666,666	45,000,000	33,666,666
Type A shares (shares)	40,000,000	-	40,000,000	-
Type B shares (shares)	20,800,000	-	20,800,000	-
Total (shares)	120,800,000	18,666,666	105,800,000	33,666,666
Treasury stock				
Type A shares (shares)	-	10,000,000	10,000,000	-
Type B shares (shares)	-	5,200,000	5,200,000	-
Total (shares)	-	15,200,000	15,200,000	-

Note: The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the Type A shares and Type B shares as treasury stock on September 6, 2022, and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company cancelled all the Type A shares and Type B shares.

2. Share subscription rights

Company name	Details	Type of shares to be issued	Number of shares to be issued (shares)				Balance at end of period (Million yen)
			At beginning of period	Increase	Decrease	At end of period	
Reporting company	2018 Share Subscription Rights as Stock Options	-	-	-	-	-	12

3. Dividends

- Dividends whose record date is in the fiscal year under review, but which come into effect in the following fiscal year

Resolution	Type of shares	Total amount of dividends (million yen)	Source of dividends	Amount of dividend per share (yen)	Record date	Effective date
May 19, 2023 Board of Directors	Common stock	7,070	Retained earnings	210	March 31, 2023	June 7, 2023

Consolidated statements of cash flows

* The reconciliation of the ending balances of cash and cash equivalents with account balances on the consolidated balance sheets is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash on hand and in banks	46,271 million yen	45,136 million yen
Time deposits with maturities over three months	– million yen	– million yen
Cash and cash equivalents	46,271 million yen	45,136 million yen

Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group invests in financial assets with a higher degree of safety after securing the liquidity necessary for its business activities. Our policy is to use derivatives to hedge the risk of foreign exchange fluctuations in trade receivables and payables and not to engage in speculative transactions.

(2) Details of financial instruments and related risks

Accounts receivable-trade, are exposed to customer credit risk. In addition, some foreign currency-denominated trade receivables are exposed to foreign exchange risk, but except for those not exceeding the balance of the same foreign currency-denominated accounts payable-trade, we hedge them using forward foreign exchange contracts.
Accounts payable-trade, are mostly due within two months. Certain foreign currency-denominated balances are exposed to foreign exchange risk, but are continuously within the balance of the same foreign currency-denominated accounts receivable-trade.

(3) Risk management system relating to financial instruments

1) Management of credit risk (default risk of customers, etc.)

In accordance with the receivables management rules, the Company regularly monitors the business conditions of its business partners and manages the due dates and balances of each partner in order to identify concerns for collection at an early stage and mitigate risks.

2) Management of market risks (fluctuation risks in foreign exchange rates, interest rates, etc.)

The Company uses forward foreign exchange contracts to hedge foreign currency-denominated trade receivables and payables against the fluctuation risks in foreign exchange that are managed by currency and by due dates.

3) Management of liquidity risk in financing activities (our payment default risk)

In the Company, a department in charge prepares and updates cash flow plans in a timely manner based on reports from each department, and manages risks by maintaining liquidity on hand.

(4) Supplementary explanation of matters relating to fair value of financial instruments

As fair value measurement of financial instruments incorporates variable factors, adopting different assumptions could result in different values.

2. Fair value of financial instruments

"Cash on hand and in banks" is omitted because it is cash, and the market values of "Deposits," "Accounts receivable-trade," "Accounts receivable-other," "Accounts payable-trade," "Accounts payable-other," and "Accrued expenses" are omitted too, as they approximate their book values, being settled in a short period of time.

3. Items related to breakdown by level of market value of financial instruments

(1) Financial instruments that are reported at market value on the consolidated balance sheet

Not applicable.

(2) Financial instruments that are not reported at market value on the consolidated balance sheet

Descriptions are omitted due to lack of significance.

Retirement benefits

1. Overview of retirement benefit plans adopted

The Company and its consolidated subsidiaries have a prepaid retirement benefit plan and a defined contribution pension plan.

2. Defined benefit cost

The amounts of required contributions to the defined contribution plan of the Company and its consolidated subsidiaries for the fiscal years ended March 31, 2022, and 2023 were 1,374 million yen and 1,345 million yen, respectively.

Stock Options, etc.

1. Amount recorded as expenses for stock options and line item

Not applicable.

2. Details and number of stock options, and changes therein

(1) Details of stock options

	First issue of share subscription rights	Second issue of share subscription rights	Third issue of share subscription rights	Fourth issue of share subscription rights
Category and number of grantees	6 Directors of the Company (excluding Outside Directors) 593 employees of the Company	1 Director of the Company (excluding Outside Directors) 29 employees of the Company	28 employees of the Company	1 Director of the Company (excluding Outside Directors) 2,255 employees of the Company
Number of stock options by share type (Note 1)	1,064,160 shares of common stock	39,240 shares of common stock	50,400 shares of common stock	1,258,660 shares of common stock
Grant date	May 7, 2015	August 1, 2016	September 1, 2017	September 1, 2018
Vesting conditions	As stated in "(2) Share subscription rights, etc." in "1. Company's Shares, Etc." in "IV Information on Reporting Company."	Same as on the left	Same as on the left	Same as on the left
Requisite service period	There is no provision for the service period.	Same as on the left	Same as on the left	Same as on the left
Exercise period	From April 23, 2017, to April 22, 2025	From July 21, 2018, to July 20, 2026	From July 25, 2019, to July 24, 2027	From July 26, 2020, to July 25, 2028

	Fifth issue of share subscription rights	Sixth issue of share subscription rights	Seventh issue of share subscription rights	Eighth issue of share subscription rights
Category and number of grantees	1 Special Advisor (Note 2)	3 Directors of the Company (excluding Outside Directors) 125 employees of the Company	192 employees of the Company	6 Directors of the Company (excluding Outside Directors) 75 employees of the Company
Number of stock options by share type (Note 1)	21,600 shares of common stock	41,575 shares of common stock	84,405 shares of common stock	65,310 shares of common stock
Grant date	August 1, 2018	September 1, 2019	September 1, 2020	March 31, 2021
Vesting conditions	As stated in "(2) Share subscription rights, etc." in "1. Company's Shares, Etc." in "IV Information on Reporting Company."	Same as on the left	Same as on the left	Same as on the left
Requisite service period	There is no provision for the service period.	Same as on the left	Same as on the left	Same as on the left
Exercise period	From August 1, 2018, to April 22, 2025	From July 30, 2021, to July 29, 2029	From July 23, 2022, to July 22, 2030	From March 25, 2023, to March 24, 2031

Notes: 1 The number of stock options is translated into the number of shares. In addition, the above numbers of shares reflect the adjustment after the 4-for-1 stock consolidation effective on September 5, 2022.

2. The Special Advisory Agreement expired on March 31, 2022.

(2) Number of stock options and changes therein

The following describes changes in the number of stock options that existed during the fiscal year ended March 31, 2023. The number of stock options is translated into the number of shares. In addition, the above numbers of shares reflect the adjustment after the 4-for-1 stock consolidation effective on September 5, 2022.

1) Number of stock options

	First issue of share subscription rights	Second issue of share subscription rights	Third issue of share subscription rights	Fourth issue of share subscription rights
Before vesting (shares)				
As of March 31, 2022	1,104,120	39,240	50,400	1,295,425
Granted	-	-	-	-
Forfeited	39,960	-	-	36,765
Vested	-	-	-	-
Outstanding of unvested stock options	1,064,160	39,240	50,400	1,258,660
After vesting (shares)				
As of March 31, 2022	-	-	-	-
Vested	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding of unexercised stock options	-	-	-	-

	Fifth issue of share subscription rights	Sixth issue of share subscription rights	Seventh issue of share subscription rights	Eighth issue of share subscription rights
Before vesting (shares)				
As of March 31, 2022	21,600	44,125	88,605	66,860
Granted	-	-	-	-
Forfeited	-	2,550	4,200	1,550
Vested	-	-	-	-
Outstanding of unvested stock options	21,600	41,575	84,405	65,310
After vesting (shares)				
As of March 31, 2022	-	-	-	-
Vested	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	-	-
Outstanding of unexercised stock options	-	-	-	-

2) Unit price information

	First issue of share subscription rights	Second issue of share subscription rights	Third issue of share subscription rights	Fourth issue of share subscription rights
Exercise price (yen)	2,000	2,472	2,564	2,564
Average stock price at exercise (yen)	-	-	-	-
Fair unit price at grant date (yen)	-	-	-	-

	Fifth issue of share subscription rights	Sixth issue of share subscription rights	Seventh issue of share subscription rights	Eighth issue of share subscription rights
Exercise price (yen)	2,000	2,564	2,564	2,564
Average stock price at exercise (yen)	-	-	-	-
Fair unit price at grant date (yen)	2,564	-	-	-

Note: The above prices of shares reflect the adjustment after the 4-for-1 stock consolidation effective on September 5, 2022.

3. Estimation of fair unit price of stock options

As the Company's shares were unlisted as of the grant date of the stock options, they were calculated using the method of estimating the intrinsic value per unit.

The valuation method for the Company's shares, serving as the basis for calculating the intrinsic value per unit, relies on the discounted cash flow (DCF) method and the comparable company analysis. As a result, the intrinsic value per unit reached zero, and correspondingly, the fair unit price of stock options is determined to be zero as well.

4. Estimation of the number of stock options vested

Due to the difficulty in reasonably estimating the future forfeiture of stock options, we have adopted a method that only considers the actual number of stock options forfeited.

5. Total intrinsic value calculated as of the end of the fiscal year under review and as of the exercise date of stock options during the fiscal year under review, using the intrinsic value per unit of stock options

(1) Total intrinsic value at the end of the fiscal year under review 19,429 million yen

(2) Total intrinsic value as of the exercise date of stock options during the fiscal year under review– million yen

Tax effect accounting

1. Breakdown of major factors for deferred tax assets and deferred tax liabilities

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Provision for bonuses	887 million yen	1,088 million yen
Accrued social insurance expenses	139 million yen	170 million yen
Loss on valuation of inventories	1,147 million yen	3,530 million yen
Loss on retirement of non-current assets	588 million yen	1,141 million yen
Accrued enterprise taxes	219 million yen	492 million yen
Lump-sum depreciable assets	35 million yen	62 million yen
Asset retirement obligations	116 million yen	116 million yen
Loss on valuation of investment securities	69 million yen	68 million yen
Others	117 million yen	325 million yen
Subtotal of deferred tax assets	3,317 million yen	6,992 million yen
Valuation allowance	(189) million yen	(69) million yen
Total deferred tax assets	3,128 million yen	6,923 million yen
Deferred tax liabilities		
Asset retirement costs	(30) million yen	(26) million yen
Retained earnings of overseas affiliates	(15) million yen	(144) million yen
Other	(23) million yen	– million yen
Total deferred tax liabilities	(68) million yen	(170) million yen
Deferred tax assets (liabilities), net	3,060 million yen	6,753 million yen

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	As of March 31, 2022	As of March 31, 2023
Normal effective statutory tax rate	30.6%	30.6%
Adjustments:		
Research and experimentation tax credit	(8.3)%	(12.6)%
Others	(5.0)%	(2.3)%
Actual effective tax rate after applying tax effect accounting	17.3%	15.7%

Asset retirement obligations

Descriptions are omitted due to lack of significance.

Revenue Recognition

1. Detailed information of revenues from contracts with customers
   The detailed information of revenues from contracts with customers is as presented in "Related information" in "Segment information, etc." in "Notes to Consolidated Financial statements."

2. Information that is the basis for understanding the revenues generated by contracts with customers
   The Group is engaged in research, design and development, manufacturing, sales and service of semiconductor products, with revenues primarily from the sales of semiconductor products.
   With respect to product sales, we recognize revenues when control of the product is transferred to the customer, that is, when the product is delivered to the customer, the legal ownership, physical possession and significant risks and economic value associated with the ownership of the product are transferred to the customer, and we gain the right to receive payment from the customer.
   With respect to NRE revenue, we recognize revenue when the products developed are delivered to the customer and the customer confirms receipt and evaluation of the deliverables, as significant risk and economic value are transferred to the customer and we gain the right to receive payment from the customer.
   Revenues from these product sales and NRE revenue are measured at transaction prices associated with the contract with customers.
   The consideration for the transaction is received within one year after the fulfillment of the performance obligation and does not include any material financial factor.

3. Information on the relationship between fulfillment of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenues expected to be recognized in the following fiscal year and thereafter from contracts with customers existing at the end of the fiscal year under review

(1) Balance of contract assets and contract liabilities

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Contract liabilities (beginning balance)	617 million yen	295 million yen
Contract liabilities (ending balance)	295 million yen	824 million yen

Contract liabilities primarily relate to advances received under contracts with customers before fulfilling performance obligations. Contract liabilities are reversed as revenues are recognized. "Contract liabilities" are included in "Other" in the consolidated balance sheets.

(2) Transaction price allocated to the outstanding performance obligation

In the Group, payment terms under individual performance obligations are up to one year, and no transactions have long-term prepaid or deferred payment terms.

Segment information, etc.

Segment information

Segment information is omitted because the Socionext Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model.

Related information

For the fiscal year ended March 31, 2022

1. Information for each product and service

(Millions of yen)

	Total
Product revenue	84,584
NRE revenue	28,117
Other	4,308
Revenues from contracts with customers	117,009
Sales to external customers	117,009

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	Americas	Europe	Asia	Total
61,337	21,009	4,061	30,602	117,009
	U.S.: 20,978		China: 21,068	

Note: Revenues are classified by country or region based on the shipping address designated by customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Other	Total
4,480	5,541	1,607	11,628

Note: Revenues are classified by country or region based on the location of property, plant and equipment.

3. information for each major customer

(Millions of yen)

Customer name	Net sales
KAGA FEI Co., Ltd.	42,403
KAGA FEI AMERICA, Inc.	12,062

Note: Related segment is omitted because the Socionext Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model.

For the fiscal year ended March 31, 2023

1. Information for each product and service

(Millions of yen)

	Total
Product revenue	156,751
NRE revenue	34,867
Other	1,149
Revenues from contracts with customers	192,767
Sales to external customers	192,767

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	Americas	Europe	Asia	Total
85,507	30,442	5,526	71,292	192,767
	U.S.: 30,384		China: 63,778	

Note: Revenues are classified by country or region based on the shipping address designated by customers.

(2) Property, plant and equipment

(Millions of yen)

Japan	Taiwan	Other	Total
8,101	6,565	2,514	17,180

Note: Revenues are classified by country or region based on the location of property, plant and equipment.

3. information for each major customer

(Millions of yen)

Customer name	Net sales
KAGA FEI Co., Ltd.	57,178
CRS TECHNOLOGY Co., LTD	35,779

Note: Related segment is omitted because the Socionext Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model.

Information on impairment loss on non-current assets for each reportable segment

Not applicable.

Information on amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

Information on gain on bargain purchase for each reportable segment

Not applicable.

Related parties

1. Related party transactions

(1) Transactions between the reporting company and related parties

1) Parent company and major shareholders (limited to corporate entities and others) of the reporting company

For the fiscal year ended March 31, 2022

Type	Name of company or individual	Location	Capital or investment (Million yen)	Description of business or occupation	Percentage of voting rights, etc. held (owned) (%)	Relationship with related party	Summary of transaction	Transaction amount (Million yen)	Item	Balance as of March 31, 2022 (Million yen)
Major shareholder	Development Bank of Japan Inc.	Chiyoda-ku, Tokyo	1,000,424	Finance	(Owned) Direct: 40	Concluded commitment line agreement	Commitment line upfront fees, etc.	12	-	-

For the fiscal year ended March 31, 2023
Not applicable.

2) Other affiliates of the reporting company and subsidiaries of these affiliates

For the fiscal year ended March 31, 2022

<table>
<tr><th>Type</th><th>Name of company or individual</th><th>Location</th><th>Capital or investment (Million yen)</th><th>Description of business or occupation</th><th>Percentage of voting rights, etc. held (owned) (%)</th><th>Relationship with related party</th><th>Summary of transaction</th><th>Transaction amount (Million yen)</th><th>Item</th><th>Balance as of March 31, 2022 (Million yen)</th></tr>
<tr><td rowspan="3">Other affiliates</td><td rowspan="3">Panasonic Corporation</td><td rowspan="3">Kadoma-shi, Osaka</td><td rowspan="3">259,168</td><td rowspan="3">Comprehensive electronics products and services</td><td rowspan="3">(Owned) Direct: 20</td><td rowspan="3">Sales of the Company's products, etc.</td><td>Sales of the Company's products</td><td>7,942</td><td rowspan="2">Accounts receivable-trade</td><td rowspan="2">1,720</td></tr>
<tr><td>Manufacturing-related services</td><td>1</td></tr>
<tr><td>Office lease, etc.</td><td>61</td><td>Accounts payable-other</td><td>3</td></tr>
</table>

For the fiscal year ended March 31, 2023
Not applicable.

Notes: 1 Transaction terms, decision policies of transaction terms, etc.
Prices, among the transaction terms with the aforementioned companies, are established through negotiations, following the same procedures with other entities. The transaction with Development Bank of Japan Inc. (commitment line agreement) completed on March 31, 2022. In addition, the office lease agreement (fixed-term building lease agreement), one of the transactions with Panasonic Corporation, expired on May 31, 2021.

2 Panasonic Corporation changed its name to Panasonic Holdings Corporation on April 1, 2022, as part of its transition to a structure comprising a holding company and operating companies.

Per share information

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	2,661.30 yen	3,262.93 yen
Basic earnings per share	222.18 yen	587.02 yen
Diluted earnings per share	-	557.46 yen

Notes: 1 The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the Type A shares and Type B shares on September 6, 2022, and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company cancelled all the Type A shares and Type B shares. Net assets per share, basic earnings per share and diluted earnings per share are computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the fiscal year ended March 31, 2022.

2. Diluted earnings per share for the fiscal year ended March 31, 2022, is not presented because the Company's shares were unlisted and therefore an average quoted stock price is not available although there are dilutive shares.
3. As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, diluted earnings per share for the fiscal year ended March 31, 2023, is computed by deeming the average stock price during the period from the listing date to March 31, 2023, to be the average stock price during the fiscal year.
4. The bases for calculation of net assets per share:

Item	As of March 31, 2022	As of March 31, 2023
Total net assets (million yen)	89,609	109,864
Deductions from total net assets (million yen)	12	12
(Of which, share subscription rights (million yen))	(12)	(12)
Net assets attributable to common stock at the end of the fiscal year (million yen)	89,597	109,852
Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share (shares)	33,666,666	33,666,666

5. The bases for calculating basic earnings per share and diluted earnings per share are as follows:

Item	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Basic earnings per share		
Profit attributable to owners of parent (million yen)	7,480	19,763
Profit not attributable to common shareholders (million yen)	-	-
Profit attributable to common shareholders of parent (million yen)	7,480	19,763
Average number of shares of common stock during the period (shares)	33,666,666	33,666,666
Diluted earnings per share		
Adjustment to profit attributable to owners of parent (million yen)	-	-
Number of shares of common stock increased (shares)	-	1,785,320
Summary of potential shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect	8 series of share subscription rights (10,841,500 units)	-

Significant subsequent events
Not applicable.

5) Consolidated supplementary schedules
Schedule of corporate bonds
Not applicable.

Schedule of borrowings
Not applicable.

Schedule of asset retirement obligations
As the amount of asset retirement obligations at the beginning and end of the fiscal year ended March 31, 2023, are a hundredth or less of the sum of liabilities and net assets during the period, it has been omitted in accordance with the provisions of Article 92-2 of the Regulations on Consolidated Financial Statements.

(2) Other information
Quarterly information for the fiscal year ended March 31, 2023

(Cumulative period)	First three months	First six months	First nine months	Fiscal year ended March 31, 2023
Net sales (million yen)	39,934	82,767	138,841	192,767
Profit before income taxes (million yen)	6,644	12,295	18,266	23,440
Profit attributable to owners of parent (million yen)	5,058	10,013	15,246	19,763
Basic earnings per share (yen)	150.24	297.42	452.85	587.02

(Accounting period)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Basic earnings per share (yen)	150.24	147.18	155.44	134.17

Notes: 1 As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, it did not file a quarterly securities report for the first quarter (from April 1 to June 30, 2022). However, in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, Ernst & Young ShinNihon LLC performed a quarterly review of the consolidated financial statements for the first quarter of the fiscal year and the first three months of the cumulative period.

2 The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, all the Type A and Type B shares were converted into common stock on September 6, 2022. Concurrently, the Company cancelled all the Type A and Type B shares acquired. Basic earnings per share is computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the fiscal year ended March 31, 2023.

2 Non-consolidated Financial Statements, Etc.

(1) Non-consolidated Financial Statements

1) Non-Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash on hand and in banks	35,398	34,554
Accounts receivable-trade, net	* 28,950	* 42,170
Finished goods	1,480	8,178
Work in process	14,921	39,527
Advance payments to suppliers	-	4,629
Prepaid expenses	1,237	1,070
Accounts receivable-other	* 791	* 16,047
Other current assets	587	217
Total current assets	83,365	146,395
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,238	1,056
Machinery and equipment, net	0	0
Tools, furniture and fixtures, net	7,824	12,986
Land	800	800
Construction in progress	287	351
Total property, plant and equipment, net	10,150	15,195
Intangible assets		
Technology assets	11,172	11,494
Other intangible assets	1,077	1,417
Total intangible assets	12,249	12,912
Investments and other assets		
Investment securities	0	0
Shares of subsidiaries and affiliates	2,704	2,704
Deferred tax assets	3,056	6,751
Other investments and other assets	696	704
Total investments and other assets	6,458	10,161
Total non-current assets	28,857	38,268
Total assets	112,223	184,664

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable-trade	* 17,495	* 24,389
Accounts payable-other	* 1,894	* 24,472
Accrued expenses	3,945	4,781
Income taxes payable	2,483	6,784
Liabilities related to chargeable subcontracting	-	18,869
Other current liabilities	832	1,714
Total current liabilities	26,651	81,013
Long-term liabilities		
Asset retirement obligations	299	299
Total long-term liabilities	299	299
Total liabilities	26,951	81,313
Net assets		
Shareholders' equity		
Common stock	30,200	30,200
Capital surplus		
Legal capital surplus	30,200	30,200
Total capital surplus	30,200	30,200
Retained earnings		
Other retained earnings		
Retained earnings brought forward	24,860	42,939
Total retained earnings	24,860	42,939
Total shareholders' equity	85,260	103,339
Share subscription rights	12	12
Total net assets	85,272	103,351
Total liabilities and net assets	112,223	184,664

2) Non-Consolidated Statements of Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	*1 116,096	*1 191,830
Cost of sales	49,723	103,894
Gross profit	66,373	87,936
Selling, general and administrative expenses	*1, *2, *3 59,629	*1, *2, *3 68,949
Operating income	6,744	18,986
Non-operating income		
Dividend income	*1 444	*1 785
Foreign exchange gain	569	1,611
Other income	32	28
Total non-operating income	1,047	2,425
Non-operating expenses		
Other expenses	16	18
Total non-operating expenses	16	18
Ordinary income	7,775	21,393
Income before income taxes	7,775	21,393
Income taxes–current	2,115	7,009
Income taxes–deferred	(829)	(3,694)
Total income taxes	1,285	3,314
Profit	6,489	18,078

Schedule of cost of products manufactured

Category	Note	Fiscal year ended March 31, 2022 Amount (million yen)	Ratio (%)	Fiscal year ended March 31, 2023 Amount (million yen)	Ratio (%)
I Subcontract processing expenses		51,475	90.4	122,409	94.9
II Labor cost		1,566	2.8	1,732	1.3
III Manufacturing overhead cost		3,888	6.8	4,852	3.8
Total manufacturing costs		56,930	100.0	128,994	100.0
Beginning work in progress inventory		5,175		14,921	
Total		62,106		143,915	
Ending work in process inventory		14,921		39,527	
Cost of products manufactured		47,184		104,388	

Cost accounting method
The Company uses actual costing based on the continuous process costing system, utilizing predetermined costs during the period. Any variances in costs are allocated to finished goods, work in process, and cost of sales at the end of the period.

3) Non-Consolidated Statements of Changes in Net Assets

For the fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Common stock	Capital surplus		Retained earnings	
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance as of April 1, 2021	30,200	30,200	30,200	18,370	18,370
Changes during the year					
Profit				6,489	6,489
Total changes during the year	-	-	-	6,489	6,489
Balance as of March 31, 2022	30,200	30,200	30,200	24,860	24,860

	Shareholders' equity Total shareholders' equity	Share subscription rights	Total net assets
Balance as of April 1, 2021	78,770	12	78,782
Changes during the year			
Profit	6,489		6,489
Total changes during the year	6,489	-	6,489
Balance as of March 31, 2022	85,260	12	85,272

For the fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity					
	Common stock	Capital surplus			Retained earnings	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings
Balance as of April 1, 2022	30,200	30,200	-	30,200	24,860	24,860
Changes during the year						
Issuance of new shares						
Profit					18,078	18,078
Acquisition of treasury stock						
Cancellation of treasury stock			(0)	(0)		
Transfer from retained earnings to capital surplus			0	0	(0)	(0)
Total changes during the year	-	-	-	-	18,078	18,078
Balance as of March 31, 2023	30,200	30,200	-	30,200	42,939	42,939

	Shareholders' equity		Share subscription rights	Total net assets
	Treasury stock	Total shareholders' equity		
Balance as of April 1, 2022	-	85,260	12	85,272
Changes during the year				
Issuance of new shares		-		-
Profit		18,078		18,078
Acquisition of treasury stock	(0)	(0)		(0)
Cancellation of treasury stock	0	-		-
Transfer from retained earnings to capital surplus				
Total changes during the year	-	18,078	-	18,078
Balance as of March 31, 2023	-	103,339	12	103,351

Notes to Non-Consolidated Financial Statements

Significant accounting policies

1. Basis and method for valuation of securities
   (1) Shares of subsidiaries and affiliates
   Cost method using the moving average method
   (2) Available-for-sale securities:
   Other than equity securities with no market prices
   Stated at market value (net unrealized gain or loss are reported as a separate component of net assets and the cost of securities sold being calculated on the moving-average method).
   Equity securities etc. with no market prices
   Stated at cost based on the moving-average method.

2. Derivatives
   Stated at fair value based on the market value method.

3. Inventories
   Inventories held for ordinary sales are stated at cost based on the weighted-average method (balance sheet amounts are written down based on the decreased profitability).

4. Methods of depreciation and amortization for non-current assets
   (1) Property, plant and equipment (excluding leased assets)
   Depreciation is calculated by the straight-line method.
   The useful lives are expected as follows:
   - Buildings and structures 6 to 20 years
   - Machinery and equipment.. 3 to 5 years
   - Tools, furniture and fixtures....................................... 3 to 10 years

   (2) Intangible assets
   Depreciation is calculated by the straight-line method.
   Among all, technology assets and internal-use software are amortized using the straight-line method over the internally expected useful lives (up to five years).
   (3) Leased assets
   Leased assets under finance leases that do not transfer ownership of the leased assets are calculated using the straight-line method with the lease period as the useful life and no residual value.

5. Basis of recording revenues and expenses
   With respect to the sale of semiconductor products, the Company recognizes the revenue at the time of delivery of the product (or at the time of deemed arrival of the product if the lead time of transportation can be measured) because the Company judges that the Company's performance obligation is fulfilled when the customer gains control over the product at the time of delivery of the product.

Significant accounting estimates

- Recoverability of deferred tax assets

(1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets	3,056	6,751

(2) Information on the content of significant accounting estimates for identified items
The content is identical to that described in “(2) Information on the content of significant accounting estimates for identified items” in “Notes to Consolidated Financial Statements, Significant accounting estimates.”

Changes in accounting policies

Implementation Guidance on Accounting Standard for Fair Value Measurement

Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31, June 17, 2021; hereafter referred to as the "Guidance on Accounting Standard for Fair Value Measurement") has been applied from the beginning of the fiscal year under review, and the new accounting policies set forth in the Guidance on Accounting Standard for Fair Value Measurement are being applied prospectively in accordance with the transitional treatment set forth in Article 27, Paragraph 2 of the Guidance on Accounting Standard for Fair Value Measurement. The application of the Guidance on Accounting Standard for Fair Value Measurement has no impact on non-consolidated financial statements for the fiscal year under review.

Additional information

Accounting estimates related to the impact of COVID-19

While the impact of COVID-19 on the Group varies across businesses and regions in terms of scale, the effects on sales and other elements have been limited. Consequently, the Company has concluded that its accounting estimates at the end of the fiscal year under review remain relatively unaffected, especially regarding the impairment of non-current assets and the recoverability of deferred tax assets.

Non-consolidated balance sheets

* Monetary receivables from and monetary payables to the affiliates

Items included in each line other than those presented separately are as follows:

	As of March 31, 2022	As of March 31, 2023
Short-term monetary receivables	14,942 million yen	24,179 million yen
Short-term monetary payables	1,207 million yen	1,060 million yen

Non-consolidated statements of income

*1 Transactions with the affiliates

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Operating transactions		
Net sales	57,228 million yen	103,250 million yen
Purchases	10,199 million yen	12,810 million yen
Non-operating transactions		
Dividend income	444 million yen	785 million yen

*2 Major items, amounts and approximate composition of selling, general and administrative expenses

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Research and development expenses	44,250 million yen	50,679 million yen
Salaries and allowances	4,913 million yen	5,143 million yen
Retirement benefit expenses	245 million yen	227 million yen
Approximate composition:		
Selling expenses	14%	16%
General and administrative expenses	86%	84%

*3 Total amounts of research and development expenses included in general administrative expenses are as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Research and development expenses	44,250 million yen	50,679 million yen

Securities

Previous fiscal year (as of March 31, 2022)

As market prices are unavailable for the shares of subsidiaries and affiliates (with the book value of shares of subsidiaries recorded at 2,669 million yen on the non-consolidated balance sheet and that of affiliates at 35 million yen), their fair values are not presented.

Current fiscal year (as of March 31, 2023)

As market prices are unavailable for the shares of subsidiaries and affiliates (with the book value of shares of subsidiaries recorded at 2,669 million yen on the non-consolidated balance sheet and that of affiliates at 35 million yen), their fair values are not presented.

Tax effect accounting

1. Breakdown of major factors for deferred tax assets and deferred tax liabilities

	As of March 31, 2022	As of March 31, 2023
Deferred tax assets		
Bonus accruals	887 million yen	1,088 million yen
Accrued social insurance expenses	139 million yen	170 million yen
Loss on valuation of inventories	1,147 million yen	3,530 million yen
Loss on retirement of non-current assets	588 million yen	1,141 million yen
Accrued enterprise taxes	219 million yen	492 million yen
Lump-sum depreciable assets	35 million yen	62 million yen
Asset retirement obligations	116 million yen	116 million yen
Loss on valuation of investment securities	69 million yen	68 million yen
Others	75 million yen	178 million yen
Subtotal of deferred tax assets	3,275 million yen	6,845 million yen
Valuation allowance	(189) million yen	(68) million yen
Total deferred tax assets	3,086 million yen	6,777 million yen
Deferred tax liabilities		
Asset retirement costs	(30) million yen	(26) million yen
Total deferred tax liabilities	(30) million yen	(26) million yen
Deferred tax assets, net	3,056 million yen	6,751 million yen

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

	As of March 31, 2022	As of March 31, 2023
Normal effective statutory tax rate	30.6%	30.6%
Adjustments:		
Items not deductible for tax purposes, such as dividend income	(1.7)%	(1.1)%
Research and experimentation tax credit	(9.7)%	(13.8)%
Others	(2.7)%	(0.2)%
Actual effective tax rate after applying tax effect accounting	16.5%	15.5%

Revenue Recognition

Information that is the basis for understanding the revenues generated by contracts with customers is omitted as the same details are presented in “Revenue recognition” in “Notes to Non-Consolidated Financial Statements.”

Significant subsequent events

Not applicable.

4) Non-consolidated supplementary schedule

Schedule of securities

As the amount of securities is a hundredth or less of the total amount of assets, it has been omitted in accordance with the provisions of Article 124 of the Regulations on Financial Statements.

Schedule of property, plant and equipment, etc.

Category	Asset type	Balance as of April 1, 2022 (Million yen)	Increase during the period (Million yen)	Decrease during the period (Million yen)	Depreciation and amortization for the period (Million yen)	Balance as of March 31, 2023 (Million yen)	Accumulated depreciation (Million yen)
Property, plant and equipment	Buildings and structures	1,238	12	0	193	1,056	1,502
	Machinery and equipment	0	-	0	-	0	68
	Tools, furniture and fixtures	7,824	12,264	638	6,463	12,986	26,170
	Land	800	-	-	-	800	-
	Construction in progress	287	12,341	12,277	-	351	-
	Total property, plant and equipment	10,150	24,618	12,916	6,657	15,195	27,742
Total intangible assets		12,249	7,101	1,524	4,913	12,912	-

Notes: 1 Major components of the increase during the period are as follows:

Tools, furniture and fixtures	Tools	7,832 million yen
Tools, furniture and fixtures	Measurement equipment	740 million yen
Tools, furniture and fixtures	Fixtures	3,692 million yen
Construction in progress	Tools	7,964 million yen
Construction in progress	Measurement equipment	677 million yen
Construction in progress	Fixtures	3,700 million yen
Intangible assets	IP and others	6,680 million yen
Intangible assets	Software for internal use and others	421 million yen

2 Major components of the decrease during the period are as follows:

Tools, furniture and fixtures	Tools	626 million yen
Construction in progress	Tools	7,832 million yen
Construction in progress	Measurement equipment	740 million yen
Construction in progress	Fixtures	3,692 million yen
Intangible assets	IP and others	1,523 million yen

Schedule of provisions

Not applicable.

(2) Components of Major Assets and Liabilities

The information is omitted as the Group has prepared the consolidated financial statements.

(3) Other information

Not applicable.

VI Outline of Share-related Administration of Reporting Company

Fiscal year	From April 1 to March 31 of each year
Ordinary General Meeting of Shareholders	Within three months after the end of each fiscal year
Record date	March 31 of each year
Record date of dividends of surplus	September 30 of each year March 31 of each year
Number of shares constituting one unit	100
Purchase of shares less than one unit	
Handling office	Stock Transfer Agency Business Planning Dept., Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Shareholder Register Administrator	Sumitomo Mitsui Trust Bank, Limited 1-4-1 Marunouchi, Chiyoda-ku, Tokyo
Forwarding office	-
Purchasing fee	Separately specified amount equivalent to the brokerage fee for trading shares
Method of publishing public notices	The Company uses the method of electronic publication for public notices. However, if electronic publication is not possible due to accidents or other unavoidable reasons, a notification will be published in *The Nikkei* (*Nihon Keizai Shimbun*). The URL of the website containing publications is as follows (available only in Japanese): https://www.socionext.com/jp/denshikoukoku/
Special benefits for shareholders	-

Note: Pursuant to the provisions of the Company's articles of incorporation, a shareholder of the Company may not exercise any rights, other than those listed below, with respect to shares of less than one unit held by such shareholder:

(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act;
(2) Right to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act; and
(3) Right to receive an allotment of shares for subscription and an allocation of share subscription rights in proportion to the number of shares held by the shareholder.

VII Reference Information on Reporting Company

1 Information on Parent Company, Etc. of Reporting Company

The Company does not have a parent company as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

2 Other Reference Information

The Company has filed the following documents between the beginning of the fiscal year ended March 31, 2023, and the filing date of this Annual Securities Report:

(1) Securities Registration Statement (Secondary Distribution) and attached documents
    Filed with the Director-General of the Kanto Local Finance Bureau on September 6, 2022.

(2) Amendments to Securities Registration Statement
    Filed with the Director-General of the Kanto Local Finance Bureau on September 26 and October 3, 2022.
    These are amendments to the Securities Registration Statement filed on September 6, 2022.

(3) Quarterly Securities Reports and Confirmation Letters
    Filed for the second quarter (from July 1 to September 30, 2022) of the ninth fiscal year ended March 31, 2023, with the Director-General of the Kanto Local Finance Bureau on November 14, 2022.
    Filed for the third quarter (from October 1 to December 31, 2022) of the ninth fiscal year ended March 31, 2023, with the Director-General of the Kanto Local Finance Bureau on February 14, 2023.

(4) Extraordinary Reports
    Filed with the Director-General of the Kanto Local Finance Bureau on September 6, 2022.
    This is an Extraordinary Report based on Article 19, Paragraph 2, Item 1 (Overseas Secondary Offering) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.
    Filed with the Director-General of the Kanto Local Finance Bureau on October 12, 2022.
    This is an Extraordinary Report based on Article 19, Paragraph 2, Item 4 (Change in Major Shareholders) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.
    Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2023.
    This is an Extraordinary Report based on Article 19, Paragraph 2, Item 2-2 (Issuance of Common Stock as Restricted Stock Compensation) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.
    Filed with the Director-General of the Kanto Local Finance Bureau on June 29, 2023.
    This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (Results of the Exercising of Voting Rights at the General Meeting of Shareholders) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

(5) Amendment Reports for Extraordinary Report
    Filed with the Director-General of the Kanto Local Finance Bureau on September 26 and October 3, 2022.
    These are Amendment Reports associated with the Securities Registration Statement filed on September 6, 2022.

Part II Information on Reporting Company's Guarantor, Etc.

Not applicable.

(For Translation Purposes Only)

Independent Auditor's Report and Internal Control Audit Report

June 28, 2023

The Board of Directors
Socionext Inc.

Ernst & Young ShinNihon LLC

Tokyo office

/s/Noriyasu Hanafuji Designated Engagement Partner Certified Public Accountant

/s/Shinichi Masuda Designated Engagement Partner Certified Public Accountant

<Audit of Financial Statements>

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements, which comprise of the consolidated balance sheet, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows, and the notes to significant matters that form the basis for preparation of consolidated financial statements and other notes and the consolidated supplementary schedules of Socionext Inc. (the “Company”) and its consolidated subsidiaries (the “Group”) applicable to the fiscal year from April 1, 2022 to March 31, 2023 in the “Financial Information” section in the Company's Annual Securities Report.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2023, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

Existence and Timing of NRE sales recorded by the Company	
Description of Key Audit Matters	Auditor’s Reponse
The Group recorded net sales of 192,767 million yen on the consolidated statement of income for the fiscal year ended March 31, 2023. As described in Note “Segment information, etc.,” in the consolidated financial statements, the key components of this amount are product revenue of 156,751 million yen and NRE sales of 34,867 million yen. Compared to product revenue which relate to mass-produced semiconductors, NRE sales involve conducting product development as agreed upon with customers in contracts and related documents, receiving consideration for the outcomes of such product development. For NRE sales, the Group recognizes revenue once it has transferred the significant risks and rewards to customers and is thus entitled to receive payment from customers upon confirming that customers have received and evaluated the deliverables after delivering the outcomes of product development to customers. In the event that anticipated development goals are not achieved, the Group would be unable to record initially expected product revenue and NRE revenue amounts and, given that the contractual amounts of NRE revenue, in particular, tend to be large on a per transaction basis, there may be a significant impact on the Group’s operating results. Considering the nature of NRE revenue recorded by Socionext Inc. as well as the materiality of NRE revenue on a per transaction basis and the impact on the operating results of the Group, we have determined that the existence and timing of NRE revenue recorded by Socionext Inc. is of particular significance for the fiscal year ended March 31, 2023 and, accordingly, is a key audit matter.	We mainly performed the following audit procedures in considering the existence and appropriateness of the cutoff of NRE sales recorded by the company. (1) Evaluation of internal controls We evaluated the design and operating effectiveness of internal controls relating to the process for recording NRE sales by focusing specifically on the following controls. ・Internal controls for ensuring that order processing is appropriately conducted. ・Internal controls for ensuring that NRE sales are appropriately recorded based on the processing related to the delivery of outcomes of product development to customers and delivery receipts and related documents from customers. ・Internal controls for appropriately identifying and processing accounts receivable for which collection has been delayed. (2) Procedures related to the existence and the timing of NRE sales 1. In order to verify the existence of NRE sales, we performed the following procedures for material transactions included in and transactions randomly sampled from NRE sales recorded for the fiscal year ended March 31, 2023. ・We inspected contracts and related documents and examined whether NRE sales agree with contractual amounts. ・We inspected delivery receipts and related documents and examined the consistency between the dates on which NRE sales were recorded and the dates on which customers completed their evaluations. 2. In order to verify the timing of NRE sales, we performed the following procedures for NRE sales recorded near year end. ・We increased the number of sampled transactions subject to agreement with source documents by setting sampling thresholds lower than usual. ・We extracted NRE sales recorded near year end from amongst journal entry data for the fiscal year ended March 31, 2023 and compared the amounts with the amount of NRE sales recorded for the same period for the fiscal year ended March 31, 2022. In addition, we analyzed the change in monthly NRE sales for the past two years.

The other Information
The other information comprises the information included in the annual securities report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group’s reporting process of the other information.
Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to the going concern.
The Audit and Supervisory Committee is responsible for overseeing the execution of duties by Directors in the design and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements,whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and other matters required under audit standards.
We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.
From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludse public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control>
Opinion
Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of the Company as of March 31, 2023.
In our opinion, the internal control report referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2023, is effectively maintained, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion
We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Internal Control Audit" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Internal Control Report
Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.
The Audit and Supervisory Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.
There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit
Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control audit and to issue an auditor's report that includes our opinion.
As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. The procedures selected to be applied depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Evaluate the overall presentations of the internal control, including the appropriateness of the scope, procedures, and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, including any significant deficiencies in internal control to be disclosed that we identify during our audit and those that were remediated, and other matters required under audit standards for internal control.
We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Group that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the Independent Auditor's Report as required by Financial Instruments and Exchange Act for the conveniences of the reader.

Notes: 1 The presentation above is a digital version of the content stated in the original audit report, which is separately retained by the Company (the reporting company of the annual securities report).
2. The associated XBRL data are not included in the scope of the audit.

(For Translation Purposes Only)
Independent Auditor's Report

June 28, 2023

The Board of Directors
Socionext Inc.

Ernst & Young ShinNihon LLC
Tokyo office

/s/Noriyasu Hanafuji Designated Engagement Partner Certified Public Accountant

/s/Shinichi Masuda Designated Engagement Partner Certified Public Accountant

Opinion
Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements, which comprise of the non-consolidated balance sheet, the non-consolidated statements of income, non-consolidated statements of changes in net assets, and the notes to significant accounting policies and other notes and the non-consolidated supplementary schedules of Socionext Inc. (the "Company") applicable to the fiscal year from April 1, 2022 to March 31, 2023 in the "Financial Information" section in the Company's Annual Securities Report.
In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position and result of operations of the Conpany applicable to the fiscal year then ended March 31, 2023, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-consolidated financial statements for the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Existence and Timing of NRE sales recorded by the company
This information is omitted because it is covered in the key audit matters detailed in our auditor's report on the consolidated financial statements (Existence and Timing of NRE sales recorded by the company).

The other Information
The other information included comprises the information in the annual securities report that contains audited non-consolidated financial statements but does not include the non-consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Company's reporting process of the other information.
Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.
The Audit and Supervisory Committee is responsible for overseeing the execution of duties by Directors in the design and operation of the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Non-Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the non-consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and other matters required under audit standards.
We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence that are relevant to our audit of the non-consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards in order to eliminate or reduce obstruction factors.
From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Company that is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report This is an English translation of the Independent Auditor's Report as required by Financial Instruments and Exchange Act for the conveniences of the reader.

Notes: 1 The presentation above is a digital version of the content stated in the original audit report, which is separately retained by the Company (the reporting company of the annual securities report).
2. The associated XBRL data are not included in the scope of the audit.

[Cover]

[Document Title]	Internal Control Report
[Clause of Stipulation]	Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	June 29, 2023
[Company name]	Socionext Inc.
[Company Name in English]	Socionext Inc.
[Title and Name of Representative]	Masahiro Koezuka, Representative Director, Chairman, President and CEO
[Title and Name of Chief Financial Officer]	Yutaka Yoneyama, Director and Corporate Executive Vice President
[Address of Head Office]	2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
[Place for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1 Matters Related to Basic Framework of Internal Control over Financial Reporting

Masahiro Koezuka, Representative Director, Chairman, President and CEO of Socionext Inc. (the "Company"), and Yutaka Yoneyama, Director, Corporate Executive Vice President and Chief Financial Officer of the Company, are responsible for designing and operating effective internal control over financial reporting of the Socionext Group (the "Group"), and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

2 Matters Related to Scope of Assessment, Basis Date, and Assessment Procedures

The Group performed the assessment of internal control over financial reporting as of the end of the fiscal year, March 31, 2023, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls that may have a material impact on our entire financial reporting on a consolidation basis (company-level controls). Based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to assess the effectiveness of our internal controls.

We determined the necessary scope of assessment of internal control over financial reporting for the Company, its consolidated subsidiaries, and affiliate accounted for by the equity method, in terms of material impact on the reliability of their financial reporting. The materiality affecting the reliability of financial reporting is determined by considering quantitative and qualitative impacts. Following the assessment of company-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the necessary scope of assessment of internal controls over business processes. One affiliate accounted for by the equity method is considered insignificant in terms of quantitative and qualitative material impact. As a result, it has been excluded from the scope of the assessment of company-level internal controls.

With respect to the scope of assessment of internal control over business processes, we aggregated locations with the highest net sales in the consolidated fiscal year and designated those collectively accounting for approximately two-thirds of consolidated net sales as "significant business locations/units." For significant business locations/units, the business process to net sales, accounts receivable-trade, and inventories, which are accounts involved with a large part of the business purpose of the company, has been included in the scope of the assessment. Furthermore, business processes associated with significant accounts carrying a high likelihood of significant misstatements and involving estimates and forecasts, as well as those associated with businesses or business operations with high-risk transactions, have been included as material business processes in the scope of the assessment, taking into account their impact on financial reporting.

3 Matters Related to Assessment Results

As a result of the assessment described above, as of March 31, 2023, we concluded that the Group's internal control over financial reporting was effectively maintained.

4 Supplementary Information

Not applicable.

5 Other Information for Special Attention

Not applicable.

[Cover]

[Document Title]	Confirmation Letter
[Clause of Stipulation]	Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act
[Place of Filing]	Director-General, Kanto Local Finance Bureau
[Filing Date]	June 29, 2023
[Company name]	Socionext Inc.
[Company Name in English]	Socionext Inc.
[Title and Name of Representative]	Masahiro Koezuka, Representative Director, Chairman, President and CEO
[Title and Name of Chief Financial Officer]	Yutaka Yoneyama, Director and Corporate Executive Vice President
[Address of Head Office]	2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa
[Place for Public Inspection]	Tokyo Stock Exchange, Inc. (2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo)

1 Matters Related to Adequacy of Statements Contained in Annual Securities Report

Masahiro Koezuka, Representative Director, Chairman, President and CEO of Socionext Inc. (the “Company”), and Yutaka Yoneyama, Director and Corporate Executive Vice President and Chief Financial Officer of the Company, confirmed that statements contained in the annual securities report for the ninth fiscal year (from April 1, 2022 to March 31, 2023) were adequate pursuant to the Financial Instruments and Exchange Act.

2 Other Information for Special Attention

Not applicable.