OFFERING CIRCULAR

Socionext Inc.

RISK FACTORS

Prior to making an investment decision, you should carefully consider the risks described below as well as all the other information in this offering circular, including our consolidated financial statements and related notes and other financial information, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Selected Financial and Other Data." The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that could adversely affect our business, financial condition and results of operations.

Our business, financial condition and results of operations could be materially and adversely affected by the factors discussed below. This offering circular also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of various factors, including the risks faced by us described below and elsewhere in this offering circular. See "Forward-looking Statements."

Risks Related to Our Business Operations

As a "fabless" semiconductor provider, we are subject to various risks related to the outsourcing of manufacturing for our products.

We operate on a fabless manufacturing model where semiconductors designed by our internal engineering teams in collaboration with our customers are outsourced to specialized semiconductor foundries and OSATs for manufacturing and testing. This business model allows us to focus our resources and expertise on the design and development of our semiconductors, but also subjects us, as with other fabless semiconductor providers, to a variety of risks due to our reliance on third-party contractors for manufacturing and testing, including but not limited to those discussed below.

There are a limited number of suitable contractors for semiconductor manufacturing, which could result in limitations in our access to manufacturing capacity.

We outsource semiconductor manufacturing and testing to foundries and OSATs located in Taiwan, Japan, China, Singapore and South Korea. For semiconductor manufacturing, the process consists of front-end and back-end manufacturing. Front-end semiconductor manufacturing is the process of wafer fabrication, and only a limited number of manufacturers have the necessary level of quality, capacity and reliability for the custom SoCs that we design. For front-end semiconductor manufacturing, TAIWAN SEMICONDUCTOR MANUFACTURING COMPANY LIMITED, or TSMC, is our primary contractor, accounting for a majority of our wafer fabrication. Back-end manufacturing refers to the process of cutting the wafer and then assembling and packaging. For back-end semiconductor manufacturing and testing, we use a number of third-party manufacturers and OSATs that possess the capabilities and sophistication to meet our project needs.

The ability and willingness of our third-party contract manufacturers to perform is largely outside of our control. The semiconductor industry features rapid technological advancements, and our contractors may fail to timely develop new, advanced manufacturing processes, including transitions to finer process technologies or, from time to time, may cease to, or may become unable to, manufacture a component for us. As lead times to identify, qualify and establish reliable production at acceptable yields with a new contract manufacturer are typically lengthy, there is often no readily available alternative source if we are unable to rely on a contract manufacturer with which we have an existing relationship. In addition, qualifying such contractors is often expensive, and they may not produce products as cost-effectively as our current contractors. Also, there may be other constraints on our ability to change contract manufacturers, such as contract terms, consideration of business relationships for other or future products or our customers' preferences. If one or more of our third-party contract manufacturers fail to perform their obligations in a timely manner or at satisfactory quality levels, whether due to natural disasters, geopolitical incidents and interference, ordinary course delays, industrial accidents or otherwise, our ability to deliver products and our reputation could suffer, and our business, financial condition and results of operations may be adversely affected.

In addition, the ability of our third-party contract manufacturers to provide us with products is limited by their available capacity, existing obligations and technological capabilities. The limited number of specialized semiconductor manufacturers contributes to a limited global manufacturing capacity for the custom SoCs that our customers require. Accordingly, our ability to fulfill customer orders is subject to these limitations on global

manufacturing capacity. For example, during the fiscal year ended March 31, 2021, we experienced constraints on our product sales due to delays in semiconductor manufacturing and delivery and limitations on manufacturing capacity due to increased global demand for semiconductors and semiconductor-related components and supply chain disruptions that emerged in connection with the COVID-19 pandemic. We believe that these supply chain and manufacturing capacity constraints continued to constrain our product sales during the fiscal year ended March 31, 2022 due to exacerbating factors such as the conflict in Ukraine and rising energy costs and shipping costs. Even as semiconductor manufacturers have sought to increase manufacturing capacity, there are long lead times and high capital requirements for expanding manufacturing facilities, which may be further exacerbated and delayed by shortages for necessary equipment due to ongoing supply chain disruptions. Moreover, due to the rapid technological advancements that characterize the semiconductor industry, it is difficult to forecast future manufacturing demand. These challenges may cause our third-party contract manufacturers to be cautious in expanding manufacturing facilities or to postpone or even cancel planned expansions despite recent limitations in manufacturing capacity. Limited capacity may also require our third-party manufacturers to prioritize some of their customers over others, and this could result in our inability to meet demand volumes of our customers. As a result of these factors, capacity from third-party contract manufacturers may not be available when we need it or at reasonable prices, which could limit the volume of products we can produce and negatively impact our business and operations. In addition, in the event that our scheduled deliveries to a customer are delayed, we may be subject to damages based on the terms of the applicable contract, and we may suffer reputational harm both with respect to the affected customer and other customers. Even if such delays can be attributed to our contract manufacturers, we may face difficulties or incur costs in seeking reimbursement for any related damages or expenses or may be unsuccessful in doing so. If conditions of limited manufacturing capacity continue for a substantial period or worsen, our ability to meet our anticipated demand for our products could be impacted which, in turn, could negatively impact our business, financial condition and results of operations.

Our reliance on contractors for semiconductor manufacturing subjects us to pricing risks.

Because we do not own and operate the infrastructure for manufacturing and testing our semiconductors and the number of manufacturers to which we can outsource is relatively limited, we are subject to risks related to the pricing available from contractors. When global demand for semiconductor manufacturing is high relative to available manufacturing capacity, contractor pricing may increase and may remain elevated for extended periods. We do not have long-term general manufacturing agreements with our contractors, and although we seek to enter into favorable pricing arrangements with our contractors, our orders may be subject to price increases under certain circumstances such as the current tightness in global semiconductor-related capacity described above, which has resulted in certain of our third-party contractors increasing their pricing in recent periods, including TSMC. Third-party manufacturers may also increase pricing based on their own cost increases, whether due to increased prices for raw materials, fuel or other energy costs (including due to supply disruptions resulting from the ongoing conflict in Ukraine), labor costs, foreign exchange fluctuations and otherwise. Such increased prices may erode our profit margins, particularly as our contractual arrangements with our customers typically do not include price adjustment mechanisms that would allow us to pass along some or all of such price increases to our customers under such circumstances. Any such upward pricing pressure from our contractors, whether due to demand and supply conditions in the market for specialized semiconductor manufacturing or for other reasons, may adversely affect our business, financial condition and results of operations.

If our contract manufacturers do not achieve satisfactory yields or quality, our reputation, customer relationships and results of operations could be adversely affected.

The fabrication of our products is a complex and technologically demanding process. Minor deviations in the manufacturing process can cause substantial decreases in yields, and in some cases, require production to be suspended. Our contract manufacturers, from time to time, experience manufacturing defects and reduced manufacturing yields. Changes in manufacturing processes or the inadvertent use of defective or contaminated materials by our contract manufacturers could result in lower than anticipated manufacturing yields or unacceptable performance of our products. Many of these problems are difficult to detect at an early stage of the manufacturing process and may be time-consuming and expensive to correct. Poor yields from our contract manufacturers, or defects, integration issues or other performance problems in our solutions, could cause us significant customer relations and business reputation problems, harm our financial results and give rise to financial or other damages to our customers. Our customers might consequently seek damages from us for their losses. A product liability claim brought against us, even if unsuccessful, would likely be time-consuming and costly to defend, and may adversely affect our reputation and brand image. Even if such claims arise from defects

or other issues that we believe should be attributed to our contract manufacturers, we may face difficulties or incur costs in seeking reimbursement for any related damages or expenses or may be unsuccessful in doing so.

If we experience yield or quality issues or other manufacturing problems at a particular contractor facility, we may need to transfer manufacturing to a new location or contractor. Transferring manufacturing to a different location or contractor could be expensive and could require an extended transition period due to qualification processes that are required by our customers, and yield levels may stagnate after the transfer due to start-up difficulties. Under some circumstances, there may not be another manufacturer capable of handling a project whether due to its complexity or otherwise. See "—There are a limited number of suitable contractors for semiconductor manufacturing, which could result in limitations in our access to manufacturing capacity." In the event that our scheduled deliveries to a customer are delayed or cancelled as a result of these issues, we may be subject to damages based on the terms of the applicable contract, and we may suffer reputational harm both with respect to the affected customer and other customers. Even if such delays or cancellations can be attributed to our contract manufacturers, we may face difficulties or incur costs in seeking reimbursement for any related damages or expenses or may be unsuccessful in doing so. If such difficulties were to result in a delay or cancellation of scheduled product deliveries to a customer, our business, reputation, financial condition and results of operations may be adversely affected.

Our contract manufacturers may experience production interruptions due to aging infrastructure, power grid disruption or risks related to the supply of fresh water and electricity.

The semiconductor fabrication process requires extensive amounts of fresh water and a stable source of electricity. In addition, it requires effective facilities to manage wastewater. Droughts, pipeline interruptions, power interruptions, electricity shortages, natural disasters or government rationing or other regulatory interventions are factors that could restrict access to these utilities in the areas in which our third-party contract manufacturers are located. If there is an insufficient supply of fresh water, electricity or wastewater processing capacity to satisfy the requirements of our third-party contract manufacturers, their production processes may be limited or delayed. In addition, a power outage, even of very limited duration, could result in a loss of wafers in production and a material deterioration in yield. Any of these occurrences could result in our third-party contract manufacturers being unable to timely fulfill our orders, which may adversely affect our business, financial condition and results of operations.

If a project is cancelled during the design and development stage, or if a customer's purchase orders during the mass production stage are less than anticipated, our business, financial condition and results of operations may be adversely affected.

We enter into a project contract with the applicable customer for design and development of the custom SoC at the initial design stage, which we refer to as a "design win," often following a competitive bid selection process based on specification proposals prepared by our engineering teams. Our growth strategy depends on our ability to continue to acquire design wins for new projects within the competitive semiconductor industry. However, acquisition of a design win is only the beginning of an extended project cycle, and there are various factors that affect the ultimate contribution of a design win project to our results of operations.

Following the acquisition of a design win, we begin a design and development process that can last for two years or longer for our custom SoCs depending on the complexity of the project and the length of time required by customers to complete their evaluation process. During the design and development process, we generally receive NRE revenue from customers based on scheduled milestone payments. In general, NRE revenue is roughly equivalent to our estimated expenses relating to a project's design and development process, including expenses such as labor costs, costs for incorporated IP, tooling costs, reticle costs and manufacturing costs for prototypes. However, during this extended period, the industry environment and customer preferences may change, and new technologies may be invented or released to the market that alter the competitive landscape, which could cause customers to change the requested design specifications or terminate the project entirely. We may also be unsuccessful in developing custom SoCs that meet our customers' requirements. In the event that a project is cancelled during the design and development stage due to such reasons, we will not be able to receive any of the anticipated revenue relating to future sales of the finished product. In such case, while we would typically receive NRE revenue through the most recent project milestone, we would no longer be entitled to receive the remaining amount of NRE revenue for such project and expected product revenue for future sales of the applicable product. While our NRE revenue generally accounts for a significant portion of our design and development costs, our product revenue, which constitutes a significant portion of our total net sales, has a more direct and significant impact on our operating income. Therefore, in the event that a significant project or

multiple projects are cancelled during the design and development stage or during a particular period, our results of operations may be materially and adversely affected. For example, certain projects in our focus areas reflected in the design win amount for the fiscal years ended March 31, 2021 and 2022 that were subsequently cancelled accounted for more than 10% and 20%, respectively, of the relevant design win amount for such fiscal years.

Following the successful conclusion of the design and development stage, a project enters the mass production stage. Pricing of our custom SoCs, as specified in our contract with the customer, is generally based upon the volume forecasts as provided by the customer and as interpreted by us on a case-by-case basis taking into account potential contingencies that could change the actual purchase volumes, and our estimates of production costs that take such forecast information into account. During this stage, a customer can submit purchase orders, with each order committing the customer to a purchase amount based on the number of units and per-unit price. The mass production stage for a project can continue for several years and involve multiple purchase orders (for certain types of products, the mass production stage can extend to ten years or longer). Other than its commitments under these purchase orders, the customer is typically not under any legal obligation with respect to the total volume of products that it will purchase, and there can be no assurance that a customer will make purchases that aggregate to an amount that is comparable to the original forecast provided by the customer or to our interpretation of such forecast. As a result, we may be required to sell to such customers at prices that do not provide us with the returns that we expected based upon the original forecast, and sales volume may be significantly lower than we expected based on the original forecast. Particularly for custom SoCs where the profit margin is generally smaller than for ASSPs, we rely upon the mass production stage of a project to generate the substantial majority of our profits for a project. In the event that a project does not reach the mass production stage or a lower volume of products are manufactured than we originally expected, a project's contribution to our operating income may be much lower than anticipated, and our results of operations may be adversely affected.

Our operating metrics related to design wins are subject to various assumptions and limitations and may not provide an accurate indication of our future or expected results.

Our operating metrics related to design wins are based on various assumptions and limitations, are calculated using our internal data prepared on a management accounting basis that have not been independently audited or reviewed by third parties, and may not provide an accurate indication of our future or expected operating results. Also, we have revised the methodology of calculating operating metrics related to design wins in the past and may change our calculation methodology in the future. As a result, potential investors should not place undue reliance on these measures as a representation of our future performance. In addition, because we calculate these metrics based on our own internal definitions, which may not be comparable with similarly named metrics used by other companies, they should not be relied on to compare our operations or future operating results with those of other companies. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Design Wins."

The metric that we call "design win amount" represents our management's estimate of aggregate life-time demand for design, development and mass production relating to custom SoC projects for which we achieve design wins during a particular period. With respect to each project, our management determines its estimate of the design win amount at the time when we enter into a contract for design and development with the customer. Our management estimates the future revenue amount of each design win based on a number of assumptions regarding development plans, development costs, corresponding NRE revenues, per-unit prices and estimated future product sales volumes which is partially based on the customer's original volume forecast as well as the estimated lifespan and likelihood of cancellation of particular products, although any potential limitations on available manufacturing capacity are not taken into account. As described in the previous risk factor, the customer is not bound to purchase the volume set forth in its original forecast or any other fixed volume until a purchase order is issued upon which it is only obligated to purchase up to the volume of the purchase order. To avoid isolated assessments by the different sales teams for various projects, we have an internal process for reviewing and approving the amount of each design win that is intended to provide a consistent framework and avoid inflated amounts. However, there can be no assurance that our review procedures will be effective, and the inherent limitations of predicting future product sales volumes make it highly difficult to accurately estimate future revenues from a project.

When we refer to the aggregate design win amount acquired during a particular period, such aggregate design win amount reflects our assumptions regarding such wins as of the end of such period, and we do not retrospectively update such amount based on subsequent cancellation of projects, recognition of revenue relating to such projects or any other subsequent changes in the development process, estimated sales volumes, unit prices, available manufacturing capacity or other factors that occur after the end of the relevant period. As a result, a direct period-to-period comparison of the aggregate amount of design wins may not be meaningful.

In addition to design win amount, our management also tracks a metric that we call "design win balance," which represents our management's estimate of the remaining accumulated amount of design wins that are associated with projects that are active as of a particular date. The design win balance thus reflects certain developments that occurred after the period in which such design wins were acquired through the applicable design win balance date, including subsequent project cancellations, the amount of such design wins that has been recognized as net sales and other recent information and data. Design win balance also reflects our management's assumptions as of the applicable date, including changes in expected pricing and forecasted product sales volumes, due to factors such as changes in product specifications. However, there can be no assurance that these updated assumptions are correct, and any calculations of design win balance may not accurately reflect any developments that occurred after the period in which such design wins were acquired.

Due to these limitations in our ability to accurately predict actual future revenues from our design wins, the design win-related operating metrics could be significantly different from actual future revenue results. For example, certain projects in our focus areas reflected in the design win amount for the fiscal years ended March 31, 2021 and 2022 that were subsequently cancelled accounted for more than 10% and 20%, respectively, of the relevant design win amount for such fiscal years.

We have internal procedures to monitor the status of our design wins, and our management team conducts a comprehensive review of the current design win balance, but there can be no assurance that these procedures and review processes will result in accurate estimates of our metrics related to design wins. For example, the lifetime profits from a design win may be negatively affected by over-estimations of the relevant design win amount due to diminished economies of scale, and such effects could result in our entering into projects based on pricing that we would not have entered into if we had known the actual sales volume that it would generate. Errors or inaccuracies in our operating metrics could result in incorrect business decisions and inefficiencies that may adversely affect our business, financial condition and results of operations.

We may not be able to successfully implement our strategic initiatives or achieve our medium-term financial goals.

On September 6, 2022, we announced our medium-term business objectives, which include certain medium-term financial goals. See "Business—Our Strategies—Aim to achieve our medium-term financial goals." We face a number of challenges in executing our strategic initiatives, including the risks set forth in "—Risks Related to Our Business and Operations," "—Risks Related to Our Operating Environment" and "—Risks Related to Other Aspects of our Business." It is possible that some aspects of our strategy may become difficult to implement and others may not achieve the originally planned results due to changes in economic conditions, the business environment and other currently unforeseeable factors.

Our medium-term financial goals are largely based on our ability to obtain additional design wins in our focus areas for growth, which are the automotive, 5G networks and data centers, and smart devices application markets. By their nature, growth rates for these target markets will depend on the rate of adoption of these advanced technologies. In the event that the markets for these focus areas do not grow as expected, we may face difficulties achieving our medium-term financial goals.

Our medium-term business objectives are based on various assumptions, including the following:

- we will be able to convert design win amounts into NRE revenue and product revenue, and our estimates of future demand based on our design win balance will be in line with actual net sales, as discussed in "—If a project is cancelled during the design and development stage, or if a customer's purchase orders during the mass production stage are less than anticipated, our business, financial condition and results of operations may be adversely affected" and "—Our operating metrics related to design wins are subject to various assumptions and limitations and may not provide an accurate indication of our future or expected results";

- we will be able to continue to acquire new design wins at a higher pace than during the fiscal years ended March 31, 2020, 2021 and 2022;

- a yen/U.S. dollar exchange rate of ¥125 = U.S. $1 for the fiscal year ending March 31, 2023 and a yen/U.S. dollar exchange rate of ¥115 = U.S. $1 for the fiscal year ending March 31, 2024 and subsequent fiscal years;

- there will be no significant changes in the competitive or regulatory environment, and no unexpected disruptive technologies will be introduced;

- there will not be any other unanticipated factors adversely affecting our business such as geopolitical risks, natural disasters, regulations, armed conflicts or the worsening of the COVID-19 pandemic;

- available semiconductor manufacturing capacity will gradually increase going forward, and the current limitations on available semiconductor manufacturing capacity that we are experiencing, which have restricted our ability to fully meet current product demand from our customers in recent periods, will resolve beginning with the fiscal year ending March 31, 2024;

- we will be able to successfully implement the business strategies set forth in "Business—Our Strategies"; and

- the non-occurrence of the various risks set forth in "—Risks Related to Our Business and Operations," "—Risks Related to Our Operating Environment" and "—Risks Related to Other Aspects of our Business."

There can be no guarantee that these assumptions will prove to be correct, and we may be unable to compensate for the effect of inaccurate assumptions. As a result, there can be no assurance that we will be successful in implementing our strategic initiatives or achieving our medium-term financial goals.

Certain customers account for a significant portion of our net sales, and our business may be adversely affected if any one of our major customers significantly reduces its purchases from us.

Certain of our customers have historically accounted for a substantial portion of our net sales, and there can be no assurance that such key customers will continue to purchase from us at the same levels as in the past. Our transactions with customers are generally based on project-specific purchase orders, and our customers are not otherwise subject to long-term commitments to purchase any specific quantities of products. In addition, many of our key customers operate in businesses that are also highly competitive, and their own market positions may vary considerably. Also, sales to our largest customers have fluctuated significantly from period to period and year to year and will likely continue to fluctuate in the future, primarily due to the timing and amount of design wins with each customer or actual product sales resulting from such design wins, the continued diversification of our customer base as we expand into new markets, changes in customer preferences, changes in industry trends, legal or regulatory developments, natural disasters or other issues that may divert a customer's operations. In the event that any key customers reduce their purchases during a particular period, our results of operations may be adversely affected. In the past, certain projects that have been particularly successful have grown to constitute a larger portion of our net sales during the extended mass production stage than we had initially anticipated. In the event that any such projects that grow to constitute a disproportional amount of our net sales reach the end of their product lifecycle or otherwise begin to decrease production for other reasons, our results of operations may be adversely affected. In addition, in recent years, certain of our customers have entered into mergers and consolidations or have vertically integrated their businesses. These developments could increase our customer concentration with a particular customer or reduce total demand as the combined entities reevaluate their business and consolidate their suppliers. Also, we may be less able to negotiate as favorable terms with larger customers, whether those customers resulted from customer consolidation, merger integrations or other reasons, and any such less favorable terms could harm our business and our results of operations. Finally, we often conduct sales and acquire projects through sales agents. In particular, we conduct a significant amount of business through our sales agent KAGA FEI Co., Ltd. and its subsidiaries. Therefore, if the activities of our sales agents or our transactions with such sales agents are terminated, our business, financial condition or results of operations may be adversely affected.

Our business is and will continue to be subject to the risks generally associated with international business operations.

We have substantial design and development, sales and marketing operations outside of Japan, including in the United States, Germany, the United Kingdom, South Korea, China and Taiwan, and a significant portion of our third-party manufacturing capacity is located in Taiwan.

Our customers are located in many locations around the world, and we market our products in various major global locations, including China, the United States and Europe. Our net sales to customers outside Japan

represented 40.8%, 49.7% and 47.6% of our net sales for the fiscal years ended March 31, 2020, 2021 and 2022, respectively.

Our business is therefore subject to risks involved in international business, including, without limitation, the following:

- negative economic or political developments, including as a result of political tensions involving countries in which we do business;
- changes in local labor conditions, including rising wage levels;
- transportation delays;
- production delays related to supply chain disruptions or raw material and component shortages;
- exchange rate fluctuations;
- exporting or importing issues related to export or import restrictions, including deemed export restrictions, tariffs, quotas and other trade barriers and restrictions;
- restrictions on currency convertibility;
- changes in laws and policies affecting trade and investment;
- a worsening of Japan's relationships with China, South Korea or other foreign countries;
- governmental regulations applicable to manufacturing operations;
- the failure of end-product markets which we have targeted for additional growth to expand or develop to the degree or at the rate we anticipated;
- varying standards and practices of regulatory, tax, judicial and administrative bodies;
- power and other utility shutdowns and shortages;
- linguistic and communication difficulties;
- difficulties in hiring highly skilled management, engineers and other personnel;
- wars and acts of terrorism; and
- natural disasters and outbreaks of epidemics (such as the COVID-19 pandemic).

Our results of operations could also be adversely affected by changes in political or economic conditions in regions where our customers market their own products.

Risks Related to Our Operating Environment

Adverse conditions in the global economy or the semiconductor industry could result in a downturn in the markets into which our products are sold, which could cause our business, financial condition and results of operations to be materially and adversely affected.

Our growth is dependent on demand for our customers' products and applications. A macroeconomic downturn or industry downturn adversely affecting demand for our customers' products and applications would adversely affect demand for our products. Additionally, global or regional economic slowdowns affecting business and consumer confidence generally could cause demand for semiconductor products to decline.

Our growth is also dependent on the growth of the semiconductor industry and, in particular, the demand for custom SoCs which are the primary focus of our growth strategy. Although there has been strong demand for semiconductors in recent years, there can be no assurance that demand will continue to grow,

particularly if global macroeconomic conditions were to deteriorate. The semiconductor industry is subject to rapid technological changes, rapid product obsolescence and price erosion, evolving product and technological standards, short product life-cycles and fluctuations in product supply and demand. With respect to market conditions within particular fields, our growth strategy is focused on the automotive, 5G networks and data centers, and smart devices application markets. Demand for products within each of these application markets is expected to grow in the coming years, including for cutting-edge products such as autonomous driving components, devices and components with 5G network compatibility, and smart devices such as AR and VR headsets. However, there can be no assurance that demand for products in these focus areas will grow at expected rates or at all, particularly if customers were to instead demand competing technologies, including those that may not yet have been invented.

In addition, there are also uncertainties in the global economy due to factors such as the COVID-19 pandemic and geopolitical risks, including protectionist trade policies, supply chain disruptions and delays, increases in energy prices globally, increased inflation, risks related to the conflict in Ukraine, risks related to the real estate market in China and related companies, continued trade tensions between the United States and China and political instability in the Middle East, Southeast Asia, Mainland China, Taiwan, Hong Kong, Europe, the United States or other regions. Any of the foregoing could cause or contribute to a broader global economic downturn, which could affect global or regional demand for semiconductor products, which could in turn adversely affect our business, financial condition and results of operations. See "—Tensions in international economic relations and changes in the geopolitical environment may have an adverse effect on our business."

Growth in demand in the markets we serve, including our focus area application markets, has in the past fluctuated and may in the future fluctuate significantly based on numerous factors, including:

- changes in levels of consumer spending;
- changes in consumer demand for automobiles, such as the reduced demand experienced during periods of the COVID-19 pandemic when many consumers spent additional time at home;
- changes in consumer tastes and preferences, particularly with respect to fields based on emerging technologies such as 5G networks and smart devices;
- slowdowns in the development of 5G infrastructure necessary to enable and support 5G functionality;
- slowdowns in enterprise spending which may result in decreased demand for corporate ICT capital expenditures, including data centers;
- changes in the regulation of our products, the semiconductor industry in general or the broader industries in which our products are used;
- changes in trade policy by the countries in which we conduct business, including protectionist policies that may favor our competitors; and
- general economic conditions.

Our results of operations and financial condition could be adversely affected by fluctuations in currency exchange rates and interest rates.

A significant portion of our net sales is denominated in the U.S. dollar and currencies other than the Japanese yen, exposing us to foreign exchange risk. Although many of our costs are also denominated in the U.S. dollar, the net effect of the weakening of the Japanese yen against the U.S. dollar and other currencies is generally positive for our operating results due to the increase in net sales translated into Japanese yen offsetting any corresponding increase in costs. Conversely, the strengthening of the Japanese yen against foreign currencies and, in particular, the U.S. dollar, would have a negative impact on our business and results of operations. During 2022, the Japanese yen has depreciated significantly with respect to other currencies, which has had an overall positive impact on our operating results. However, if this trend were to reverse, such exchange rate movements could have an adverse impact on our operating results. For more information about our exchange rate risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Factors Affecting Results of Operations—Currency Exchange Fluctuations."

We engage in and may in the future continue to engage in hedging transactions and other arrangements to mitigate exchange rate risk, but there can be no assurance that such arrangements will be sufficient to protect us against the effects of adverse movements in foreign exchange rates.

We face intense competition in the semiconductor industry that may cause us to lose market share and harm our financial performance.

The semiconductor industry is extremely competitive. We are exposed to competition from rival companies on the basis of design capability, engineering expertise, product performance, pricing, quality, product features, responsiveness, new product innovation, product availability, delivery timing and reliability, customer sales and technical support, product lineup and customized design capability. If we fail to keep pace with the rest of the semiconductor industry, we could lose market share in the markets in which we compete. Any such loss in market share could have a material negative impact on our financial condition and results of operations.

In addition to general competitive pressures, certain of the industries in which our products are used have more dominant market players than others. For example, we believe that we have an established market presence in the automotive industry, and we seek to improve our competitive position by better understanding our customer's needs and roadmaps to acquire new design wins. However, there can be no assurance that we will be successful in maintaining this competitive position, whether due to technological developments, the entry of new competitors or otherwise. In contrast with the automotive industry, we believe that there are more dominant market players in the telecom industry and the field of high-performance computing. For industries with more dominant players, including 5G networks and data centers, we seek to utilize our "concept-in" / "spec-in" collaborative design process and offer a broader range of products to acquire new design wins from global technology companies such as hyperscalers. We also plan to continue to invest in advanced integration technologies, such as design processes based on 3nm and finer process nodes and chiplet technology, and offer a broader range of products. However, as we face more intensive competition in such industries with more dominant players, there can be no assurance that we will be successful in acquiring design wins and achieving profitability in such industries.

Although a select few multinational companies with extraordinary resources such as Apple Inc. may be capable of designing their own custom SoCs, we believe that the vast majority of companies operating in technologically demanding industries now require a partner to develop custom SoCs that meet their PPA requirements. Accordingly, our competitors are semiconductor companies that offer forms of custom design services, which we believe can be broadly categorized into two groups: traditional ASIC providers, such as Global Unichip Corp, Alchip Technologies, Limited and Faraday Technology Corporation, and ASSP vendors that also design ASICs, such as Marvell Technology, Inc. and Broadcom Inc. With respect to traditional ASIC providers, we compete for design wins primarily on the basis of providing more extensive upstream design assistance for SoC specifications and architecture. However, we may face challenges in conveying the advantages of our distinctive "concept-in" / "spec-in" collaborative design process to prospective customers. With respect to ASICs designed by ASSP vendors, we compete primarily on the basis of our flexibility to utilize semiconductor industry ecosystem resources and design methodologies as well as our engineering teams' capability to design "optimal" custom SoCs that are not subject to the risk of 'lock-in' to a particular ASSP architecture. However, we may face challenges competing for design wins from customers that prefer a more standardized ASIC designed by an ASSP vendor such as Broadcom Inc. In addition, certain of our competitors may have greater financial, technological, personnel and other resources than we have in a particular market or overall, and certain competitors may benefit from government policies and support in their home markets, including financial support in the form of tax subsidies or protective judicial or regulatory regimes, such as those in China and the United States.

We expect competition in the markets in which we participate to continue to increase as existing competitors improve or expand their design and development capabilities and product offerings or as new participants enter our markets, including participants that had not historically engaged in such markets. More generally, increased competition may result in reduced profitability and reduced sales for us.

Furthermore, consolidation or other strategic partnerships or cooperative arrangements among our competitors may result in increased competition. Certain of our competitors have pursued strategic alternatives such as mergers and other business combinations. If we are unable to successfully pursue business strategies that are appropriate in light of industry developments, we may be unable to compete effectively with such competitors, whose consolidation may allow them to gain improved economies of scale, improve and diversify their product portfolios and increase the size and scope of their offerings. As a result of these shifts in the

competitive environment, we may be unable to maintain our current position, and our business, financial condition and results of operations may be adversely affected.

Tensions in international economic relations and changes in the geopolitical environment may have an adverse effect on our business.

In recent years, there has been a general escalation in risks related to the geopolitical environment, including political and trade tensions among a number of the world's major economies. These tensions have resulted in the implementation of tariffs and non-tariff trade barriers and sanctions, including the use of export control restrictions and sanctions against certain countries and individual companies. In particular, trade tensions between the United States and China have resulted in significant tariff increases, sanctions against specified entities, and the broadening of restrictions and license requirements for specified uses of products. For example, the Bureau of Industry and Security of the U.S. Department of Commerce, or BIS, recently has imposed and may continue to impose additional restrictions, including licensing requirements, under the Export Administration Regulations, or EAR, with respect to certain Chinese companies that impact the supply of U.S. products and certain non-U.S. products incorporating U.S. content, or that are manufactured using certain U.S. technology or software, to such companies and the sourcing of U.S. items by non-U.S. companies for use in manufacturing products for such companies. BIS has recently added a number of Chinese entities to the Entity List under the EAR. For example, in May 2020 and again in August 2020, the United States tightened its export control measures against Huawei Technology Co. Ltd. and its affiliates, including an expanded license requirement for providing items subject to the U.S. export control jurisdiction. Moreover, in December 2020, Semiconductor Manufacturing International Corporation, or SMIC, one of the largest chip manufacturers in China, was added to the Entity List. Challenges faced by SMIC and its key suppliers as a result of the listing have had impacts across the global semiconductor supply chain and have helped lead, in part, to the global semiconductor shortage. As a result of recent global semiconductor shortages and trade tensions, certain countries have recently taken an enhanced policy focusing on the semiconductor industry in particular. For example, the United States recently enacted the CHIPS for America Act, which provides various investment tax credits and other government funding for domestic semiconductor manufacturing and research companies.

These types of international trade disputes may result in increased tariffs, trade barriers, and other protectionist measures that could increase our costs, make our products less competitive, reduce consumer demand, or impede or slow the movement of our goods across borders. Trade barriers have been particularly impactful to the semiconductor industry and related markets, including equipment related to the production of automobiles and 5G networks, each of which are included in our focus area application markets. Prolonged or increased use of trade barriers may result in a decrease in the growth of the global economy and semiconductor industry, and could cause turmoil in global markets that results in declines in sales of our customers' products which include our own products. Also, any increase in the use of export control restrictions to target certain countries and companies, any expansion of the extraterritorial jurisdiction of export control laws, or complete or partial ban on semiconductor product sales to specified companies could impact not only our ability to continue supplying products to those customers, but also our customers' demand for our products, and could lead to changes in semiconductor supply chains. Increasing protectionism and economic nationalism may also lead to further changes in trade policy, domestic sourcing initiatives, or other formal and informal measures that could make it more difficult to sell our products in certain countries. For example, we could face increased competition as a result of China's programs to promote China's domestic semiconductor industry and supply chains (including the *Made in China* 2025 campaign). Our net sales in China have been increasing, and any adverse developments with respect to our business in China may therefore have a disproportionate adverse impact on our results of operations. In addition, TSMC is our primary contract manufacturer, accounting for a majority of our wafer fabrication. In the event of a geopolitical incident involving Taiwan, our business prospects and results of operations may be materially and adversely affected.

The conflict in Ukraine may adversely affect energy prices, supply chains and macroeconomic conditions.

In response to Russia's recent invasion of Ukraine, Japan, the United States, the European Union, and several other countries are imposing far-reaching sanctions and export control restrictions on Russian entities and individuals. This conflict and the resulting market volatility has adversely affected global economic, political and market conditions and has resulted in increased energy prices and shipping costs in certain regions as well as disruptions in supplies for certain raw materials. In addition to general macroeconomic pressures, these developments may result in increased costs for the third-party contractors that manufacture our products or production delays, any of which may adversely affect our business, financial condition and results of operations.

If we are unable to respond effectively to developments in technology or address the evolving needs of customers and product manufacturers, demand for our products could decrease and expenses related to our design and development process may increase.

We engage in continuous research and development to improve our existing products and technologies and develop new products. The markets for most of our products are characterized by continuous technological development, and our customers' requirements regarding the performance of our products are expected to continue to become stricter over time. In such markets, our ability to develop new products to meet evolving customer requirements is a critical factor to the success of our business. For example, our current research and development initiatives include advanced integration technologies intended to enable us to manage and incorporate IP, EDA tools and chiplet technology. However, if these investments in general research and development initiatives do not lead to acquisitions of design wins and future product revenue, we may not be able to recoup the costs of such investments and our business prospects may be adversely affected. In addition to these general research and development initiatives, our ability to develop products and related technologies to meet evolving customer requirements and at prices acceptable to our customers are major factors in determining our competitiveness. Particularly in the current "More Than Moore" era of diminishing performance returns for semiconductor-based technologies and the significant technological sophistication and complexities relating to state-of-the-art SoCs, we may face increased challenges in designing and developing products that meet our customers' requirements. If any of our competitors develops new technologies or products that are more attractive to our customers, our products could be rendered obsolete or demand for our products could decrease. Similarly, products and applications may evolve or be replaced by other new types of products and applications in a manner that reduces the need to use our SoCs. If we are unable to keep pace with changes in technology or successfully develop new products, our market share or net sales could decrease and our business could be adversely affected, and could lose market share to new entrants that adapt more quickly to changes in technology.

In addition, one of our competitive strengths is the ability of our engineering teams to flexibly and skillfully draw on the elemental technologies across the semiconductor industry ecosystem. See "Business—Our Market Opportunity—The semiconductor industry continues to broaden and expand, with increasing horizontal division of expertise and resources." However, as this horizontal diffusion of elemental technologies continues to increase, there is also an increase in the amount of labor hours and design resources necessary to effectively utilize these elemental technologies. If we are unable to maintain the efficiency of our design and development processes to effectively utilize these elemental technologies, our development costs may increase and our results of operations may be adversely affected.

The COVID-19 pandemic continues to impact our business and could materially and adversely affect our financial condition and results of operations.

The COVID-19 pandemic has increased uncertainty regarding the future economic environment and demand levels. During the fiscal year ended March 31, 2021, our net sales were generally constrained by delays in semiconductor manufacturing and delivery and limitations on available manufacturing capacity due to increased global demand for semiconductors and semiconductor-related components and supply chain disruptions that emerged in connection with the COVID-19 pandemic. We believe that these supply chain and manufacturing capacity constraints continued to constrain our product sales during the fiscal year ended March 31, 2022 due to exacerbating factors such as the conflict in Ukraine and rising energy costs and shipping costs. In addition, during the main stages of the COVID-19 pandemic in 2020 and 2021, we believe that lockdowns and "stay-at-home" policies temporarily contributed to reduced demand for almost all of our products, which caused a year-on-year decline in our net sales and negatively impacted our profit for the fiscal year ended March 31, 2021. Certain of our development processes were also impacted by delays in obtaining deliveries of certain components such as test boards. The contract manufacturers which manufacture our products are concentrated in certain geographic locations, such as Taiwan. Each of these areas has been affected by the COVID-19 pandemic and took measures during the pandemic to try to contain the spread of infection, including restrictions on manufacturing facilities, commerce, travel, operations or workforce, which affected our customers, partners, vendors and suppliers or our support operations. As the COVID-19 pandemic continues, the timing and overall demand from customers and the availability of the supply chain, including available manufacturing capacity by third-party foundries, logistics services and component and raw material supplies may have a material negative impact on our business and results of our operations.

Risks Related to Other Aspects of our Business

The manufacturing plants of our third-party contractors and our own facilities are located in areas that have been impacted by natural disasters and other disruptions. Natural disasters, such as large earthquakes, droughts, flooding or volcanic eruptions in those or other areas, may negatively impact our business.

We rely on third-party manufacturing capacity and other suppliers and sub-contractors in Taiwan, Japan, China, Singapore, South Korea and other areas around the world which have been impacted by natural disasters and other disruptions. We also have various facilities throughout Japan as well as in the United States, Germany, the United Kingdom, South Korea, China and Taiwan that support our design and development processes and sales operations. If a large earthquake, tsunami, drought, storm, flood, heavy rains, volcanic eruption or other natural disaster, accident (such as a fire or power outage), war, act of terrorism, issues arising from a political or public health crisis, blackout, security breach or other event such as the failure of our computer and related systems, were to directly damage, destroy or disrupt the facilities of our third-party foundries and OSATs, our other subcontractors and suppliers or our own facilities, it could disrupt our operations, delay our design and development processes, delay new production and shipments of existing inventory or result in costly repairs, replacements or other costs, all of which could result in significant losses.

For example, Japan has historically experienced numerous earthquakes and other natural disasters, including typhoons, tsunamis and volcanic eruptions, that have caused extensive damage to property and disruption to commerce, including the Great East Japan Earthquake in 2011. In addition, TSMC is our primary contract manufacturer, accounting for a majority of our wafer fabrication. A large earthquake, typhoon or other natural disaster, accident or other event in Japan, Taiwan or elsewhere could result in significant disruptions to our design and development processes, the manufacturing processes of our third-party contract manufacturers or general supply chains and distribution channels, any of which could lead to delays in new production or shipments of existing inventory, particularly if we are unable to quickly and effectively shift production to alternative manufacturers or locations.

We have a BCP that sets forth countermeasures in the event of a natural disaster. We also carry insurance to cover property damage and business interruption for protection of certain potential losses at our production facilities. However, our BCP may not be successfully implemented, and our insurance policies may not be adequate to cover all possible losses and expenses. For example, although we have insurance to cover earthquake damage, the total coverage amount is limited and, depending on the extent of any damage, may not be adequate to cover all the losses resulting from an earthquake or the claim may be subject to challenges or other delays in payment.

We may have insufficient cash and cash equivalents and be unable to secure adequate financing for our operations.

Our businesses require continued investments in capital expenditures for our design and development processes as well as research and development for new technologies and products. Although we operate on a fabless manufacturing model, our capital expenditures for our design and development processes include investments in reticles used in the semiconductor wafer process, tooling and test boards used during the development process and the IP incorporated in our semiconductor designs. Historically, we have financed our capital expenditures and research and development activities primarily through cash flows from operations. In the event that cash on hand and cash flows from operations are not sufficient for our working capital needs, we have entered into a commitment line agreement with Mizuho Bank, Ltd. with a total commitment of ¥10 billion, and as of June 30, 2022, there was no outstanding balance under the commitment line. However, there can be no assurance that such commitment line would be sufficient to cover our needs for working capital in the event of adverse market conditions. We may consider alternative sources of financing depending on our capital needs and market conditions. However, there can be no assurance that we will be able to obtain financing when necessary on terms acceptable to us or at all to meet our future capital needs. A decrease in our cash and cash equivalents could cause us to be unable to make capital expenditures at the timing or to the extent we require or consider desirable, and could cause us to forego making such expenditures or be forced to seek alternative financing arrangements that may be on unfavorable terms.

Factors that could negatively affect the terms and availability of financing include future disruptions in global financial markets, changes in the monetary policy of central banks, including the Bank of Japan, downturns in the semiconductor industry or any of the applications that incorporate our products, changes in the lending policies of institutions on whom we rely or any real or perceived decline in our creditworthiness. Any

such factors may force us to enter into financing arrangements on unfavorable terms or abandon some of our financing plans, which could result in increased financing costs or our inability to implement planned capital expenditures or research and development projects in the anticipated time frame.

We may pursue acquisitions, investments, joint ventures and strategic partnerships, which could adversely affect our business, financial condition and results of operations.

In the future, we may acquire or make investments in other businesses, products or technologies, or we may seek to enter into joint ventures or strategic partnerships to enhance our market coverage or technological capabilities. Any such acquisitions, investments, joint ventures and strategic partnerships may involve various risks and uncertainties, such as:

- unexpected delays, challenges and related expenses, and disruption of our business;
- diversion of management's attention from daily operations and the pursuit of other opportunities;
- incurring significant restructuring charges, assuming liabilities (some of which may be unexpected) and ongoing or new lawsuits related to the applicable transaction or otherwise, potential impairment of acquired goodwill and other intangible assets, and increasing our expenses and working capital requirements;
- the potential for deficiencies in internal controls of any acquired business, as well as implementing our own management information systems, operating systems and internal controls for acquired operations;
- our due diligence process may fail to identify significant issues with an investment or a target company's products, financial disclosures, accounting practices, legal, tax and other contingencies as well as compliance with international laws and regulations;
- additional acquisition-related debt, which could increase our leverage and potentially negatively affect our credit ratings resulting in more restrictive borrowing terms or increased borrowing costs thereby limiting our ability to borrow;
- dilution of stock ownership of existing shareholders;
- difficulties integrating an acquired business and managing and retaining acquired employees, vendors and customers; and
- inaccuracies in our original estimates and assumptions used to assess a transaction, which may result in us not realizing the expected financial or strategic benefits of any such transaction.

With respect to acquisitions, if we are unable to identify suitable targets, our growth prospects may suffer, and we may not be able to realize sufficient scale advantages to compete effectively in relevant markets. We may also face competition for desirable targets from other companies in the semiconductor industry. Our ability to acquire targets may also be limited by applicable antitrust laws and other regulations in the jurisdictions in which we do business.

Failure to adequately protect our technologies and know-how through patents and other intellectual property rights could negatively impact our competitiveness and harm our business and future prospects.

Our ability to compete in the semiconductor industry depends heavily on our technologies and know-how. We commit significant resources to secure protection for such technologies and know-how through patents and other forms of intellectual property rights, and to prevent dissemination of unpatented trade secrets and other proprietary information, including by entering into confidentiality agreements with our employees and controlling access to our offices and facilities. However, there can be no assurance that the measures we are taking will effectively deter competitors from improper use of our intellectual property, particularly in countries and areas where intellectual property may not be adequately protected. Our competitors may misappropriate our intellectual property, or our intellectual property may become known or independently developed by our competitors. In addition, disputes may arise concerning the ownership of our intellectual property or the applicability or enforceability of our confidentiality agreements, and there can be no assurance that any such

disputes would be resolved in our favor. Even if we are successful in any such disputes, we cannot be certain that we will have adequate remedies for any such breach. There may also be circumstances where a licensee of our intellectual property is acquired by an unlicensed third party, enabling such third party to obtain access to our intellectual property, which could reduce the value of such intellectual property. Any failure to protect our intellectual property could negatively impact our competitiveness and adversely affect our business and future prospects.

We may be accused of infringing the intellectual property rights of others.

Due to the existence of a large number of patents in our field and the rapid rate of issuance of new patents, we may be unintentionally using technology that is the subject of an issued patent or a patent application that has not yet been publicly disclosed. Certain of our products are and have been in the past the subject of patent infringement proceedings, and we cannot assure you that third parties will not assert intellectual property infringement claims against us or our customers or that such claims will not be successful. See "Business—Legal Proceedings." In the event of any such claims, we may be found liable for any resulting damages or be required to redesign our products, license the relevant intellectual property or pay other compensation to such other company (any of which could be costly). Even if such claims are not successful, a filing of an infringement claim against us could result in a significant investment of time and effort on the part of our management, increased legal expenses, damage to our reputation and other costs, any or all of which could have a material adverse effect on our business, financial condition and results of operations.

We rely on technology provided by third parties, and our business may be negatively affected if we are unable to renew our existing licensing arrangements, obtain future license arrangements or become subject to disputes or experience other negative consequences relating to existing or future licensing arrangements.

We have entered into licenses for the use of technologies implemented in our semiconductors. If we are unable to renew our existing technology licensing arrangements to design and develop our products on acceptable terms, or if such arrangements are terminated for any reason, we may lose the legal protection to certain of our products or to use certain of the technologies incorporated in our products, which may prevent us from selling certain of our products. We could also be at a disadvantage if our competitors obtain licenses for protected technologies on more favorable terms than we do. In the future, we may also need to obtain additional patent licenses for new or existing technologies. We cannot provide assurance that these license agreements can be obtained or renewed on acceptable terms or at all, and if not, our business and results of operations could be adversely affected. We also generally compensate our employees for innovations that they make in the course of their employment pursuant to a patent reward program. However, we could face legal action by an employee who considers such compensation inadequate.

Our products may be subject to product liability and warranty claims, which could be expensive and could divert management's attention.

We provide semiconductors that are used in our customers' products that they then sell to end users. Accordingly, there is a risk that defects may occur in our products. Such defects may damage our reputation and can give rise to significant costs, including expenses relating to recalling products, replacing defective items, writing down defective inventory, delays in, cancellations of, rescheduling or return of orders or shipments and loss of potential sales. In addition, the occurrence of such defects may give rise to product liability and warranty claims, including liability for damages caused by such defects. If we release defective products, our reputation could suffer, and we could lose sales opportunities and become liable to pay damages. Moreover, since the cost of replacing defective products is often much higher than the value of the products themselves, we may at times face damage claims from customers in excess of our warranty obligations or the relevant sales amounts, including consequential damages. Even if such defects were caused by the actions of our third-party contract manufacturers, there can be no assurance that we would be successful in seeking compensation for any claims from the applicable third parties.

We also face exposure to potential liability resulting from how our customers typically integrate the products that we sell into numerous products, which are then in turn sold into the marketplace. These end-products are often highly complex and may occasionally involve the use of our product in ways not originally envisioned by us. In these cases, our products can only be fully tested when deployed in the end-products, and our customers may discover defects or errors only after the end-products have been deployed. In addition, we may be named in product liability claims relating to such end-products even if there is no evidence that our products caused a loss. Product liability claims could result in large expenses relating to

defense costs or damages awards. In particular, the sale of products and components for the automotive industry involves a high degree of risk that such claims may be made given the potential for widespread and serious consequences due to failures of products or components. In addition, we may be required to participate in a recall if any of our products prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims as a result of various industry or business practices or in order to maintain good customer relationships. Each of these actions would likely harm our reputation and lead to substantial expense. We maintain recall insurance and product liability insurance policies, but there is no guarantee that such policies would cover the full costs of such events and any product recall or product liability claim could have a material negative impact on our reputation, business, financial condition and results of operations.

Loss of our key management, engineers or other personnel or the inability to attract key management, engineers and other personnel could impact our business.

We depend on our senior executive officers and other key personnel to operate our business and on technical engineering experts to develop our products and technologies. Turnover in these positions could adversely affect our operations. Particularly with respect to our custom SoCs, our engineers are an important part of our "concept-in" / "spec-in" collaborative design process. Competition for qualified employees among companies that rely heavily on engineering and technology is intense, and the loss of qualified employees to retirement or competitors, or an inability to attract, retain and motivate additional highly skilled employees required for the operation and expansion of our business could hinder our ability to conduct research and development activities successfully and develop marketable products. If we lose key personnel to competitors or at a rate greater than we anticipate, or if we have difficulty attracting new, highly talented employees, our reputation and our business, financial condition and results of operations could be affected. In addition, our continuing growth will, to a large extent, depend on the attention of key management personnel to strategic decisions and other important affairs relating to our business and operations. If our executive officers are not able to devote sufficient time to such important affairs due to poor health, diverted attention to litigation or other unproductive matters or other factors, our operations may be adversely affected.

We are increasingly reliant on information technology in our operations, and any failure of such systems could harm our ability to effectively operate our business.

We rely heavily on information systems across our operations, including for our design and development processes as well as our sales and logistical operations. Our ability to effectively manage our business and coordinate the development and sale of our products depends significantly on the reliability and capacity of these systems. The failure of our information systems to operate effectively, problems with transitioning to upgraded or replacement systems, a material network breach in the security of these systems as a result of a cyber-attack or other incident, or any other failure to maintain a continuous and secure cyber network, could result in development or delivery delays, reduce efficiency in our operations, require significant capital investments to remediate the problem or result in negative publicity that could harm our reputation, business and results of operations.

Leaks of confidential information could adversely affect our business.

We store and manage a significant amount of confidential information regarding the technology, research and development, manufacturing, sales and operating activities of us and our customers, as well as personal information relating to our customers and our employees. We are subject to contractual restrictions on the use and dissemination of such information received from our customers and employees, as well as restrictions relating to such information imposed by various laws and regulations in Japan and other countries. While we have implemented systems to protect and manage any confidential information in conformance with applicable laws, there can be no assurance that our systems will prevent leaks of confidential information. If any confidential information stored or managed by us is improperly disclosed or if third parties improperly use or gain access to such confidential information, we may be the subject of lawsuits for damages and our business, financial condition, results of operations and reputation could be adversely affected. In addition, leaks of confidential information relating to our technologies and manufacturing processes may harm our competitive position if our competitors become capable of copying such technologies or processes.

Cybersecurity risks could adversely affect our business and disrupt our operations.

We depend heavily on our technology infrastructure and maintain and rely upon certain critical information systems for the effective operation of our business. We routinely collect and store sensitive data in

our information systems, including intellectual property, technologies, know-how and other proprietary information about our business and that of our customers, suppliers and business partners. These information technology systems are subject to damage or interruption from a number of potential sources, including, but not limited to, natural disasters, destructive or inadequate code, malware, power failures, cyber-attacks, internal malfeasance or other events. Cyber-attacks on us may include viruses and worms, phishing attacks, and denial-of-service attacks. In addition, we may be the target of email scams that attempt to acquire personal information or company assets. Changes in working practices, such as the increase in employees working from home in connection with the ongoing COVID-19 pandemic, may also introduce new cyber-attack vectors and risks.

We have implemented processes for systems under our control intended to mitigate risks; however, we can provide no guarantee that those risk mitigation measures will be effective. We have incurred and may in the future incur significant costs in order to implement, maintain and/or update security systems we feel are necessary to protect our information systems, or we may miscalculate the level of investment necessary to protect our systems adequately. Since the techniques used to obtain unauthorized access or to sabotage systems change frequently and are often not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures.

Our business also requires us to share confidential information with the third-party foundries and OSATs that manufacture and test our products as well as our customers, particularly during the design and development stage of a project. Although we take steps to secure confidential information that is provided to third parties, such measures may not always be effective and data breaches, losses or other unauthorized access to or releases of confidential information may occur and could materially adversely affect our reputation, financial condition and results of operations and could result in liability or penalties under data privacy laws.

To the extent that any system failure, accident or security breach results in material disruptions or interruptions to our operations or the theft, loss or disclosure of, or damage to our data or confidential information, including our intellectual property, our reputation, business, financial condition and results of operations could be adversely affected.

Environmental laws and regulations may expose us to liability and increase our costs. Changes in these environmental laws and regulations as well as customer expectations for environmentally friendly products and manufacturing processes could negatively impact our business.

We are subject to a variety of environmental laws and regulations in Japan and the other countries in which we operate, including regulations relating to waste water discharge, air and gas emissions, handling of hazardous materials, disposal of solid and hazardous wastes, remediation of soil and ground water contamination and energy consumption. Although we outsource the principal manufacturing and testing for our products to third-party contract manufacturers, any failure on our part to comply with any present or future environmental regulations could result in the assessment of damages or imposition of fines against us, a cessation of operations in one or more regions or damage to our reputation. In addition, environmental regulations could require us and our third-party contract manufacturers to acquire costly equipment or to incur other significant compliance expenses that may materially and negatively affect our financial condition and results of operations. Furthermore, any changes in environmental laws or regulations, or changes in their enforcement, affecting or limiting, for example, chemical use, manufacturing processes, air emissions or disposal practices by us or our contractors, could restrict our ability to operate as we are currently operating, impose additional costs, cause delays in the delivery of our products to customers or require modifications to manufacturing processes or facilities. The addition of, or changes to existing, national or regional regulation of substances contained within our products could cause us to be unable to deliver such products to such countries or regions, or could cause us to incur additional costs in connection with changes to our materials, processes or designs that may be necessary in order to continue delivering such products to such countries or regions.

Failure or alleged failure to comply with regulatory requirements, including competition laws and regulations and anti-corruption laws, could result in the imposition of penalties or sanctions and force us to incur significant legal costs.

We are subject to the regulatory regimes of each country in which we operate, including, among others, those relating to antitrust, anti-corruption, corporate governance, labor, import and export, foreign exchange controls, customs regulation and taxation. Although we have in place internal control and compliance systems for the purpose of complying with such laws and regulations, there can be no assurance that such systems, and our

other efforts to promote compliance, will be effective. Any violation of the relevant regulations could result in criminal penalties, sanctions, fines or mandatory suspension from certain business activities and could also adversely affect our reputation, business and results of operations. We may also incur significant costs associated with enhancing our compliance functions as regulations and laws change in the countries in which we operate.

We are subject to ongoing litigation and the risk of litigation and other legal proceedings in the ordinary course of business.

We are and may in the future become a party to a variety of litigation or other claims and suits, including those that arise from time to time in the various jurisdictions in which we operate. Our business is subject to the risk of litigation involving current and former employees, customers, end users, manufacturers, suppliers, competitors, patent holding companies, government agencies or others through private actions, class actions, whistleblower claims, administrative proceedings, regulatory actions or other litigation. The claims that may be brought against us under Japanese law may differ significantly than those that could be brought under the laws of other jurisdictions, including the United States, and the potential outcome of such claims may also vary significantly. Regardless of the merits of the claims, the cost to defend current and future litigation may be significant and may adversely affect our reputation and brand image, and such matters can be time-consuming and divert management's attention and resources. See "Business—Legal Proceedings."

Our internal controls may not be effective in preventing future misstatements of our financial condition and results of operations.

We are currently a private company that is not subject to the requirements with respect to internal controls over financial reporting under the FIEA. In accordance with the FIEA, we will be required to evaluate the effectiveness of our internal controls over financial reporting as of the end of our fiscal year and have our internal control report audited by our independent auditor beginning with our annual financial statements for the fiscal year in which we list our shares on a stock exchange. While we have established a system of internal controls over financial reporting, there can be no assurance that our internal controls will be effective in preventing misstatements, errors or fraud in our financial reporting. If our internal controls over financial reporting are found to have material weaknesses as a result of our evaluation or the audit conducted by our independent auditors in the future, our ability to produce reliable financial reports on a timely basis could be adversely affected, resulting in a loss of confidence in our financial reporting by investors, which could materially and adversely affect the price of our shares. Such failures could also result in violations of law, administrative or criminal sanctions and potential legal claims for damages. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met and thus are subject to inherent limitations. We cannot be certain that our internal controls over financial reporting will have the effect of preventing the risk of misstatements, errors and fraud, and the presence of material weaknesses in our internal controls would further heighten such risk.

Our principal shareholders have the ability to control our business, and their interests may conflict with your interests.

Upon completion of the global offering, Development Bank of Japan Inc., Fujitsu Limited and Panasonic Holdings Corporation will own approximately 26.0%, 26.0% and 13.0%, respectively, of our issued and outstanding common stock (or 23.9%, 23.9% and 11.9%, respectively, if the over-allotment options in the international offering and the Japanese offering are exercised in full). Accordingly, such shareholders continue to have the ability to control certain matters requiring approval by our general meeting of shareholders, including the election and removal of directors, the approval of mergers or other business combination transactions, the sale of material assets or businesses and amendments to our articles of incorporation. The interests of such shareholders with respect to our operations and other matters may differ from the interests of our other shareholders, and they may from time to time exercise control or influence over us in a manner adverse to the interests of our other shareholders. In addition, there can be no assurance that such shareholders will not seek to exercise or acquire greater control or influence over our business, our management or our board of directors.

Risks Related to Our Common Stock

Investors holding less than one "unit" of shares of our common stock will have limited rights as shareholders.

Our articles of incorporation provide that 100 shares of common stock constitute one "unit." The Companies Act of Japan (Act No. 86 of 2005, as amended), or the Companies Act, and our articles of

incorporation impose significant restrictions and limitations on holders of shares which do not constitute a whole unit. In general, holders of shares constituting less than one unit do not have the right to vote with respect to those shares. For a more complete description of the unit share system and its effect on the rights of our shareholders, see "Description of our Common Stock—Unit Share System."

Future sales of shares by our existing shareholders or issuances of additional shares, including as a result of the exercise of share subscription rights, could adversely affect the market price of our common stock and result in substantial dilution.

Sales of a substantial number of shares of our common stock following the global offering or the perception that such sales may occur could adversely affect the market price of our common stock. As described in this offering circular under "Offering and Sale," we and the selling shareholders have agreed to restrictions on sales and other dispositions of our shares during the period commencing on the date of this offering circular and ending on April 9, 2023. After the expiration of such restrictions, the selling shareholders may choose to sell their remaining shares of our common stock on the Tokyo Stock Exchange or otherwise in Japan or abroad. See "Selling Shareholders." In addition, our board of directors will be able to issue and sell additional shares within the unissued portion of our authorized share capital or sell shares of treasury stock, generally without any shareholder vote. We may issue additional shares in the future at prices below the offer price of our shares in the global offering and below prevailing market prices. Further, stock options we have granted, or may grant in the future, to our directors, executive officers and employees may be exercised in the future and we may repurchase shares of our common stock to mitigate potential dilution. If we were to issue additional shares in the future, including in connection with stock option plans, holders of shares of our common stock, including purchasers of our shares in the global offering, may experience dilution. Such issuances could also have an adverse effect on the market price of shares of our common stock. For more details on share subscription rights, see "Management—Share Subscription Rights."

There is no existing public market for shares of our common stock, and the market price for shares of our common stock may fluctuate greatly. There can be no assurance that a liquid trading market for shares of our common stock will develop or be sustained.

Prior to the global offering, there has been no market for shares of our common stock. The price of shares of our common stock may fluctuate widely after the global offering and may trade at prices below the initial public offer price, depending on factors such as:

- market perception of the global semiconductor industry generally and our business in particular;
- differences between our actual financial and operating results and those expected by investors and analysts;
- changes in general economic and market conditions; and
- broad market fluctuations.

Shares of our common stock have been approved for listing and trading on the Tokyo Stock Exchange. However, there is no assurance that such listing will continue or that a liquid trading market for shares of our common stock will develop or be sustained after the global offering. In the event of subsequent secondary offerings of shares of our common stock by any of our principal shareholders or the exercise of stock acquisition rights, liquidity for the trading market for shares of our common stock may be adversely affected. In addition, because our shares will not be listed in any other jurisdiction, there will be no public trading market outside of Japan.

Rights of shareholders under Japanese law may be different from rights of shareholders in other jurisdictions.

Our articles of incorporation and the Companies Act govern our corporate affairs. Legal principles relating to matters such as the validity of corporate procedures, directors' and audit and supervisory committee members' fiduciary duties and liabilities and shareholders' rights under Japanese law may be different from, or less clearly defined than, those that would apply to a company incorporated in any other jurisdiction. Shareholders' rights under Japanese law may not be as extensive as shareholders' rights under the law of other countries. For example, under the Companies Act, only holders of 3% or more of our total voting rights or our outstanding shares are entitled to examine our accounting books and records. Furthermore, there is a degree of

uncertainty as to what duties the directors of a Japanese joint stock corporation may have in response to an unsolicited takeover bid, and such uncertainty may be more pronounced than in other jurisdictions. In addition, Japanese courts may not be willing to enforce, in original actions or in actions seeking enforcement of judgments of the courts of other jurisdictions, liabilities against us in actions brought in Japan, including those based on the securities laws of the United States or any U.S. state.

Our shareholders of record on a record date may not receive the dividend they anticipate.

The customary dividend payout practice of publicly listed companies in Japan may significantly differ from that widely followed or otherwise deemed necessary or fair in foreign markets. In particular, consistent with the market practice in Japan, we may regularly announce forecasts of year-end and interim dividends. However, any such forecasts will not be legally binding. The actual payment of year-end dividends and the actual payment of interim dividends will require a resolution of our board of directors. See "Information Concerning our Common Stock—Dividend Policy." We may ultimately determine any dividend payment amount to our shareholders of record as of a record date, including whether we will make any dividend payment to such shareholders at all, only after such record date. For that reason, our shareholders of record on a record date may not receive the dividends they anticipate.

Daily price range limitations imposed by the Tokyo Stock Exchange or system outages due to malfunctions or other reasons may prevent you from selling our shares at a particular price on a particular trading day, or at all.

Share prices on the Tokyo Stock Exchange are determined on a real-time basis by the equilibrium between bids and offers. The Tokyo Stock Exchange is an order-driven market without specialists or market makers to guide price formation. To prevent excessive volatility, the exchange sets daily upward and downward price range limitations for each listed stock, based on the previous day's closing price or special quote. Although transactions may continue at the upward or downward limit price if the limit price is reached on a particular trading day, no transactions may take place outside these limits. Consequently, an investor wishing to sell at a price above or below the relevant daily limit may not be able to effect a sale at such price on a particular trading day, or at all. Furthermore, the Tokyo Stock Exchange has in the past experienced temporary systems outages due to program or hardware malfunctions. For example, on October 1, 2020, a system malfunction caused a full day shutdown of the Tokyo Stock Exchange's trading system. There can be no assurance that the Tokyo Stock Exchange will not experience a systems outage in the future due to systems malfunctions or other reasons, as a result of which an investor may be unable to trade our shares at the time or price desired, or at all.

Prior notification under the Foreign Exchange and Foreign Trade Act of Japan may be required in the case of acquisition by foreign investors of a certain portion of our shares.

Because we are engaged in certain businesses designated by the Foreign Exchange and Foreign Trade Act of Japan (Act No. 228 of 1949, as amended), or the FEFTA, and its related cabinet orders and ministerial ordinances, or collectively, the Foreign Exchange Regulations, if a foreign investor intends to consummate an acquisition of shares of our common stock that constitutes an "inward direct investment" under the Foreign Exchange Regulations, the foreign investor, in general, must file prior notification of such inward direct investment with the Minister of Finance and any other competent ministers, or the Ministers. "Inward direct investment" includes an acquisition by a foreign investor of shares of our common stock as a result of which acquisition such foreign investor, in combination with any existing holdings, directly or indirectly holds 1% or more of the total number of issued shares or the total number of voting rights. While certain exemptions from the prior notification requirements are provided for under the Foreign Exchange Regulations, certain foreign investors seeking to make such acquisition may not be eligible for such exemptions. If such prior notification is filed, the proposed acquisition may not be consummated until the prescribed screening period expires. In some cases, the Ministers may extend the screening period, and may recommend or order any modification or abandonment of such acquisition. In addition, if certain conditions including those prescribed in light of national security of Japan under the Foreign Exchange Regulations are met, the Ministers may order the disposal of the shares acquired or take other measures. Consequently, any foreign investor seeking to acquire shares of our common stock that constitutes an "inward direct investment" may not consummate such acquisition in an expected time frame, in accordance with an intended plan, or at all.

Additionally, if a foreign investor directly or indirectly holds 1% or more of the total voting rights and, at a general meeting of shareholders, consents to certain proposals having a material influence on our management such as the (i) election of such foreign investor or any of its related persons (as defined in the

Foreign Exchange Regulations) as our directors or (ii) transfer or discontinuation of our business, such consent, subject to certain exemptions, also constitutes an "inward direct investment" requiring prior notification. If such prior notification is filed, such consent cannot be given until the prescribed screening period expires. As a result, such foreign investors may have difficulties giving such consent in accordance with an intended plan, or at all.

The discussion above is not exhaustive of all possible foreign exchange controls considerations that may apply to a particular investor, and potential investors are advised to satisfy themselves as to the overall foreign exchange controls consequences of the acquisition, ownership and disposition of shares of our common stock or voting rights by consulting their own advisors. For a more detailed discussion on the requirements and procedures regarding the prior notifications under the Foreign Exchange Regulations, see "Japanese Foreign Exchange and Certain Other Regulations."

ISSUER

Socionext Inc.
10-23, Shin-Yokohama 2-chome
Kohoku-ku, Yokohama-shi, Kanagawa 222-0033
Japan

LEGAL ADVISORS TO SOCIONEXT INC.

as to Japanese law

Mori Hamada & Matsumoto
Marunouchi Park Building
6-1, Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-8222
Japan

as to United States law

Simpson Thacher & Bartlett LLP
Ark Hills Sengokuyama Mori Tower
9-10, Roppongi 1-chome
Minato-ku, Tokyo 106-0032
Japan

LEGAL ADVISORS TO THE INTERNATIONAL MANAGERS

as to Japanese law

Nagashima Ohno & Tsunematsu
JP Tower
7-2 Marunouchi 2-chome
Chiyoda-ku, Tokyo 100-7036
Japan

as to United States law

Skadden, Arps, Slate, Meagher & Flom LLP
Izumi Garden Tower, 37th Floor
1-6 Roppongi 1-chome
Minato-ku, Tokyo 106-6037
Japan

INDEPENDENT AUDITOR

Ernst & Young ShinNihon LLC
Hibiya Mitsui Tower
Yurakucho, 1 Chome-1-2
Chiyoda-ku, Tokyo 100-0011
Japan

TRANSFER AGENT

Sumitomo Mitsui Trust Bank
4-1 Marunouchi 1-chome
Chiyoda-ku, Tokyo 100-8233
Japan

socionext