

The slide features a dark blue vertical bar on the left containing the 'socionext' logo in white. A light blue chevron shape points from this bar towards the right. The right side of the slide has a light blue background with the title '2Q FY2023/3 Consolidated Financial Results' in dark blue. The date 'October 31, 2022' and company name 'Socionext Inc.' are in the bottom right.

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2Q FY2023/3

Consolidated Financial Results

October 31, 2022

Socionext Inc.

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Introduction

Socionext at a Glance

Solution SoC Business Model

Transformation

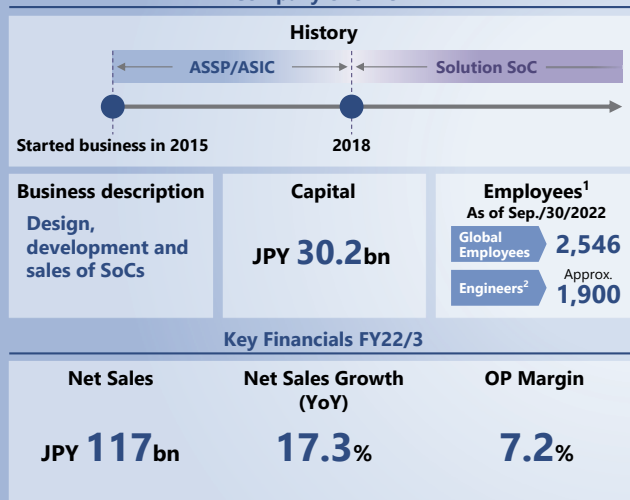
Consolidated Financial Results

for the 6 Months Ended September 30, 2022

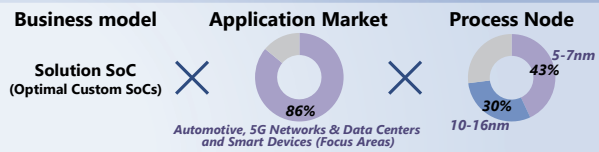


- Socionext has developed a new and distinctive “Solution SoC” business model to provide optimal custom SoCs to customers who need advanced and innovative chips

Company Overview



Business Overview (Ratio is NRE revenue breakdown for FY22/3)



~Socionext's Positioning in Semiconductor Market~



1. Numbers of employees and engineers are on a consolidated basis
 2. Number of our staff working in our division relating to technical development and analysis in and outside Japan
 3. This market size is estimated by Socionext based on Omdia data "Competitive Landscaping Tool CLT, Annual-1Q22".

This slide shows an overview of the company.

We are a fabless semiconductor company that provides custom SoCs. Within the custom SoC market, we have developed a new and distinctive business model that we refer to as “Solution SoC”.

We design Custom SoCs for customers in application markets such as Automotive, 5G networks & Data Centers and Smart Devices. In other words, we focus on Custom SoCs with high-growth potential.

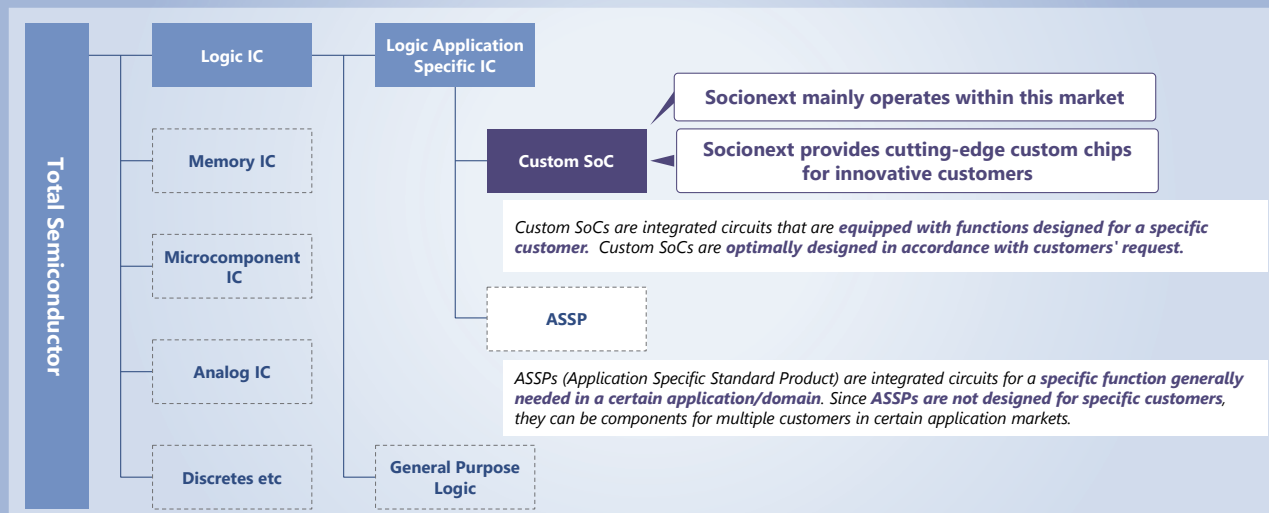
We believe that our business model appeals to advanced and innovative customers that are not satisfied with custom SoCs provided by traditional ASIC vendors and ASSP vendors.

We believe that our new and distinctive business model makes us competitive against traditional ASIC vendors and ASSP vendors’ custom SoC businesses especially in the automotive application market.

Our company was founded in 2015. After Mr. Koezuka, who is the CEO of Socionext, became the CEO in 2018, he began to implement a drastic business transformation.

Detail of Custom SoC & ASSP

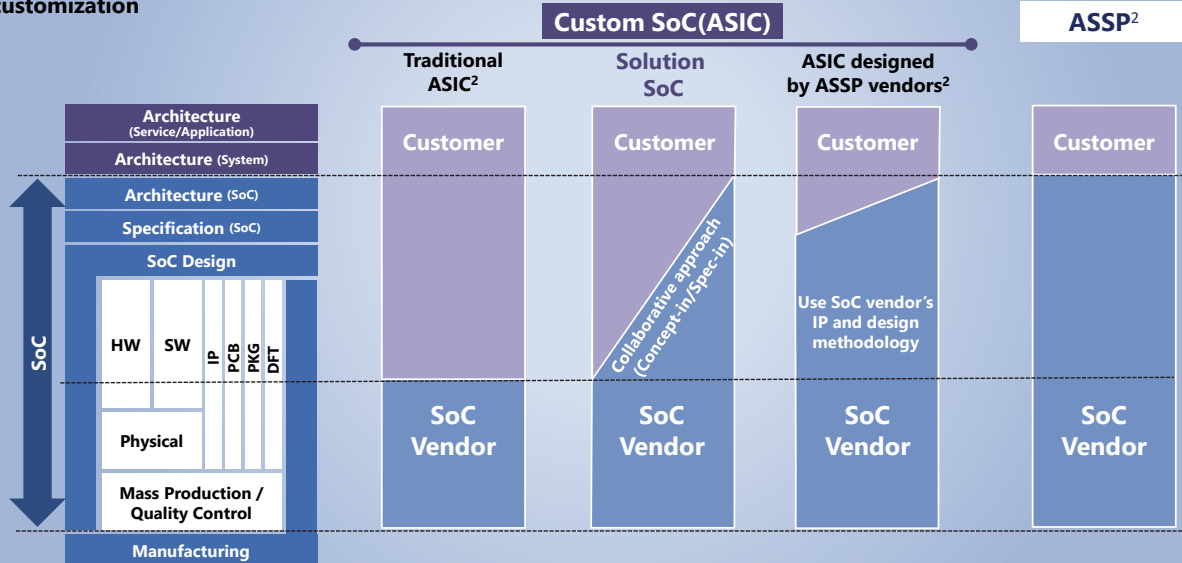
- Socionext operates mainly within the Custom SoC market, which are designed for a specific customer
(Although ASSPs are designed also for specific applications, they are not designed for a specific customer)



3

This slide shows where custom SoCs and ASSPs are in the larger semiconductor market. We operate mainly in the Custom SoC market, where custom semiconductors are designed for specific customers. Generally, customers that are not satisfied with ASSPs use custom SoCs. ASSPs are similar in that they are designed for a specific application. However ASSPs are designed for some customers, not for a specific customer.

- The primary difference between “traditional ASIC”² and “Solution SoC” is how we interface with our customers
- The primary difference between “Solution SoC” and “ASIC designed by ASSP vendors”² is the breadth of optional customization



1. This slide is an image based on our own recognition.
2. This graphic provides an illustrative framework of the types of industry players based on our own classifications.

4

This slide shows the features of our Solution SoC business model as compared with other business models. Our solution SoC business model can be categorized as a type of Custom SoC but we characterize it as a new and distinctive business model.

Our Solution SoC business model is based on a “collaborative design approach” where we work with customers to define the SoC architecture and specifications, which is upstream in the SoC design flow. The primary difference between traditional ASIC vendors and our Solution SoC model is how we interface with our customers.

Traditional ASIC vendors simply receive the specification from customers and then conduct physical design. Customers would need to have their own logic design capability and resources.

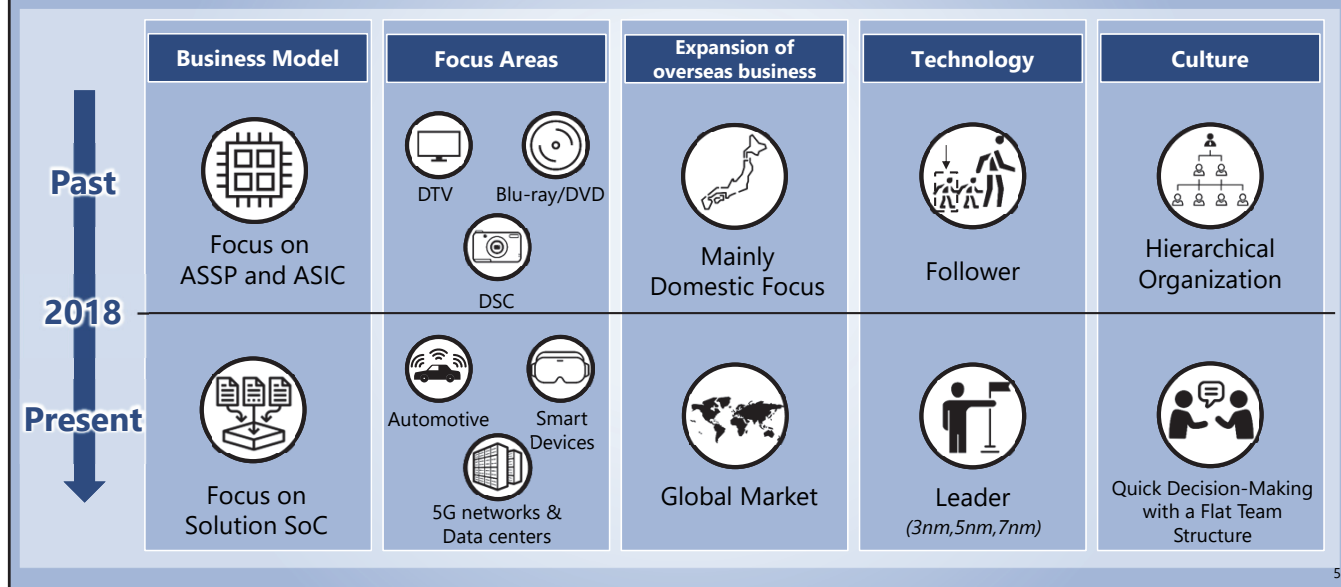
On the other hand, through our collaborative approach, we are able to provide custom SoCs for any type of customer, including customers who cannot perform or don’t have resources to perform the upstream SoC design, such as emerging companies, and we provide optimized custom SoCs based on our understanding of customers’ software and hardware.

The primary difference between our Solution SoC model and semi-custom ASICs designed by ASSP vendors is the breadth of customization.

These vendors are generally limited to using an ASSP platform and restricted to their own IP and Design Methodology. Due to these restrictions, we believe that these vendors are unable to provide truly optimal customized SoCs, and instead are limited to “modification” rather than “optimization.”

Transformation into a Global Custom SoC Vendor in Advanced Technology Area

- Through a transformation of our business and company culture, Socionext has turned into a global leading custom SoC vendor with a new and distinctive business model that we refer to as "Solution SoC"



5

This slide shows the progress of our business transformation.

Mr. Koezuka became the CEO in 2018 and implemented the transition from an ASSP and traditional ASIC business to a new and distinctive business model that we refer to as "Solution SoC".

In addition to transformation of our business model, shifts in our focus areas, expansion of overseas business, and becoming a technology leader from a follower by focusing on advanced technologies - these initiatives and transformations require a more dynamic business culture, so we have transformed into a more dynamic organization.

We have almost completed the transformation, and we have started to see the results.

The Image of Timeline from Design Win to Mass Production

Illustrative Description of "Design Win Amount"

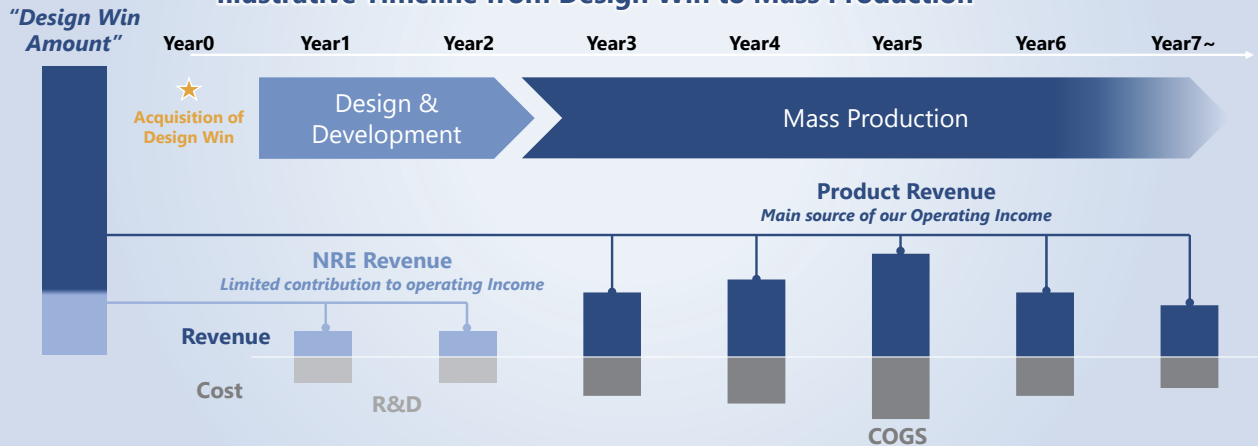
"Design Win Amount" . . .

"Design win amount" represents our estimate of the lifetime demand from design projects. "Design win amount" is divided into NRE-based and product-based amounts. "Design win amounts" are expected to contribute to product revenue once projects progress to the mass production stage of the project lifecycle.

We calculate "Design win amount" in accordance with prudent procedures as below

- We estimate each "design win amount" based on our assumptions such as per-unit prices and estimated future product sales volumes, not on sales forecasts provided by customers¹
- A foreign exchange assumption of \$1=¥100 has been used

Illustrative Timeline from Design Win to Mass Production²



1. Refer to p25

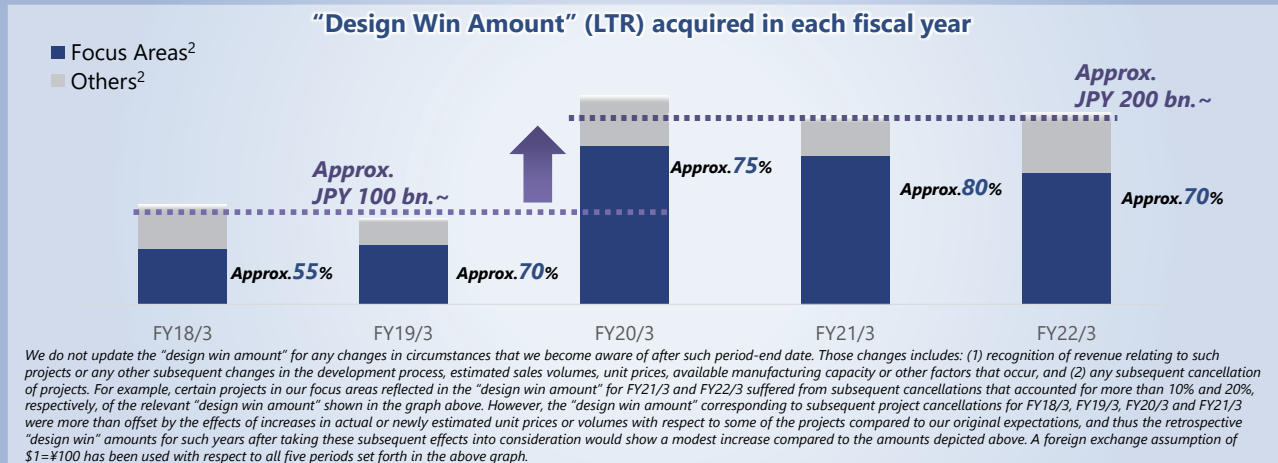
2. For illustrative purposes only. The actual timeline of product development to mass production may differ materially based on the product and actual customer demand

This slide illustrates the general timeline from design wins to mass production.

Our typical business flow is to acquire a design win first, which in turn leads to NRE revenue during the design & development stage, followed by a mass production stage where we generate product revenue. Design win "amount" represents our estimate of the lifetime demand from a design win when we enter into the project contract.

Please note we estimate "design win amount" based on various internal assumptions regarding per-unit prices and forecasted future product sales volumes, not simply based on forecasts provided by customers and we calculate this amount assuming a foreign exchange rate of 100 Japanese yen per 1 US dollar. NRE revenue is generally used to develop chips and NRE revenue therefore has a limited impact on operating income. Instead, product revenue is the primary driver of our operating income.

- Roughly doubled annual “Design Win Amount”¹ since the transformation in 2018, especially in the focus areas²



1. The life-time revenue (or LTR) of the “design win amount” for a particular period reflects our expectations as of the end of such period, based on various estimations and assumptions that we believe to be reasonable at such time, regarding the total future revenue from the design win projects that were acquired during such period, many of which involve a considerable degree of subjective judgment. Actual revenues could differ, and our expectations regarding future revenues could change after such period-end date, due to various factors such as subsequent cancellations, changes in the development process and costs, actual revenues earned, changes regarding sales volumes and product durations, price changes, changes in our manufacturing capacity and the impact of foreign exchange fluctuations, among others. In addition, we continue to refine our estimation methods without retroactively updating past-period amounts. As a result of the foregoing, a direct period-to-period comparison may not be meaningful beyond describing general trends over extended periods.
2. Our focus areas are (a) Automotive, (b) 5G networks & Data Centers and (c) Smart Devices. Others mainly include Industrial Automation and IoT & Radar Sensing (RF-CMOS Solution)

This slide illustrates the increase in design win amount recently.

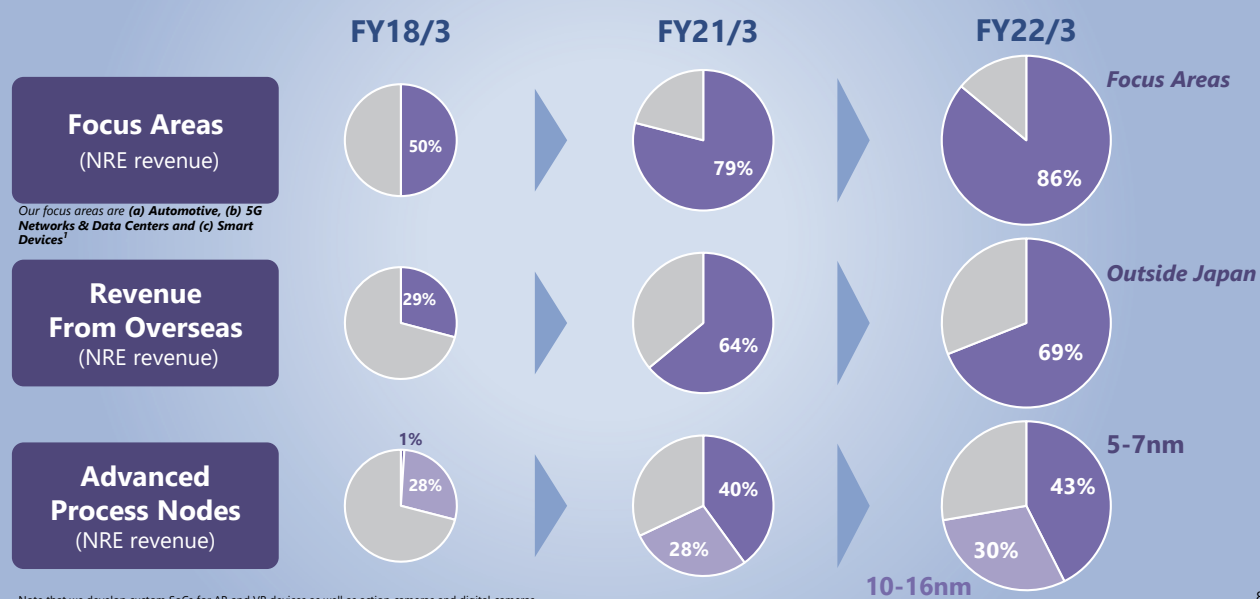
Since we began implementing our business transformation in 2018, we have increased our global and large-scale design wins, especially in our high-growth focus areas such as “automotive”, “5G networks and Data centers” and “smart devices”.

Particularly in our focus areas, our design win amount increased in the fiscal year ended March 2020, and we have continued to acquire a high level of design wins.

This increase in design win amount resulted in an increase in our NRE revenue, and we expect this to contribute to increased product revenue once a project reaches the mass production stage in future periods.

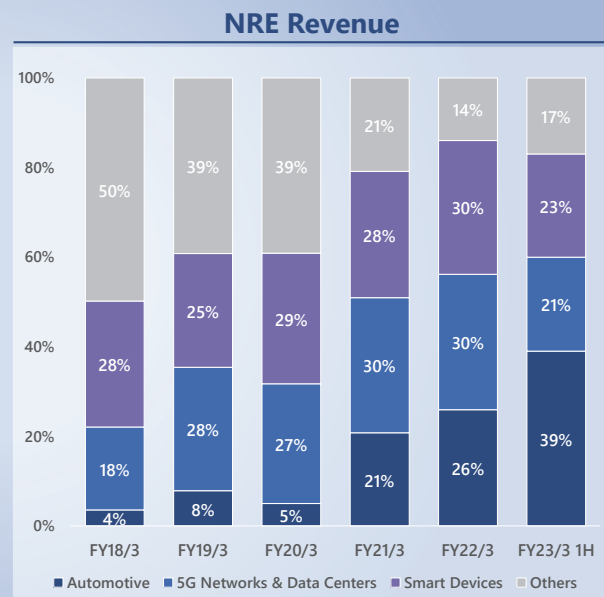
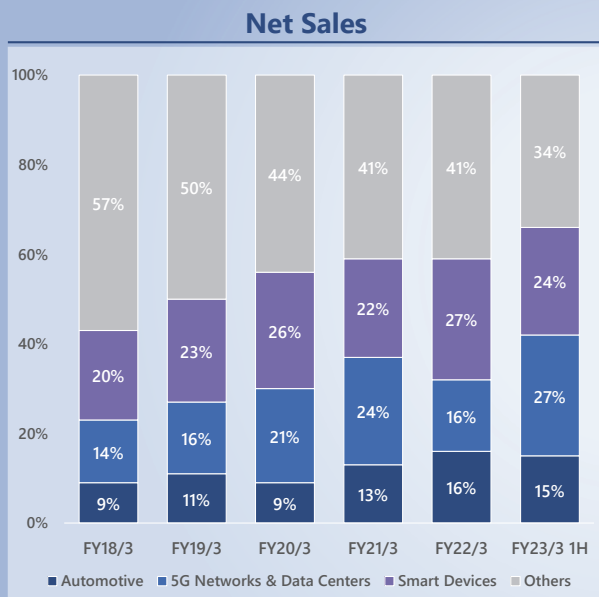
Transforming into a Global SoC Company with Cutting-edge Technologies

- Shift in NRE revenue composition illustrates the steady progress of business transformation



This slide shows the results of our business transformation using actual figures of our NRE revenues. You can see all NRE revenue ratios, such as by application market, by region and by process-node, have increased from 2018 in connection with our transformation into a globally leading SoC vendor.

Breakdowns by Application Market(Yearly Ratios)

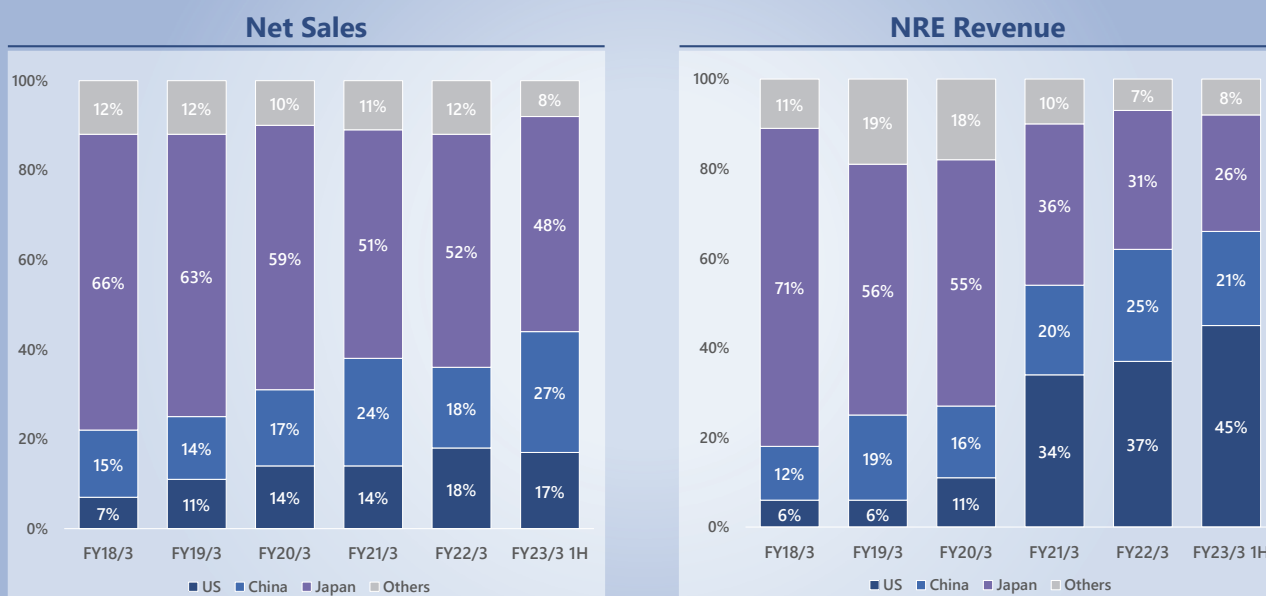


Breakdowns of yearly ratios by application market of net sales and NRE revenue from FY18/3 are presented on the slide.

Net sales are increasing on our focus areas of automotive, 5G network and data centers, and smart devices, especially in 5G network and data centers and automotive markets.

NRE revenue is increasing in 5G network and data centers market from FY19/3 and the increase in automotive market from FY21/3 is due to the required large-scale design wins.

Breakdowns by Geographic Region(Yearly Ratios)



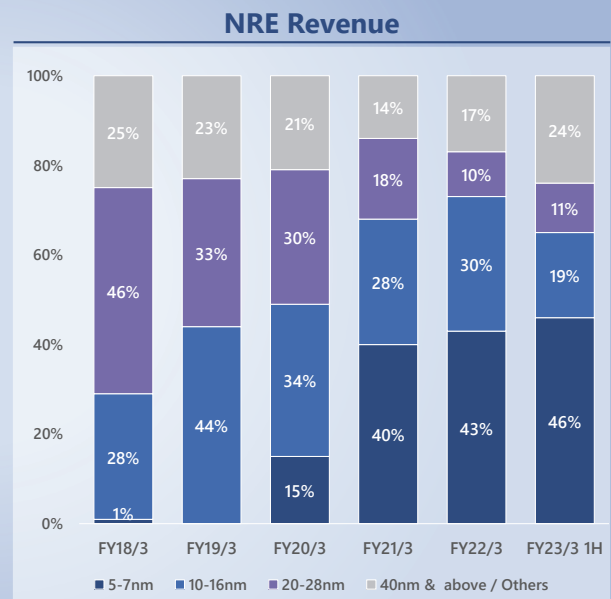
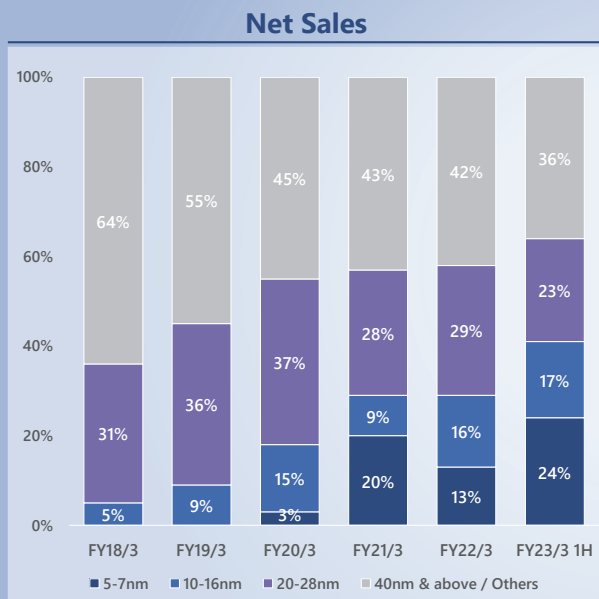
10

Breakdowns of yearly ratios by geographic region of net sales and NRE revenue are presented on the slide.

The ratios in both net sales and NRE revenue are shifting to be weighted more from Japanese customers to overseas customers, mainly in the U.S. and China.

The amount in net sales and NRE revenue from Japanese customers levelled off and increased from customers outside of Japan.

Net sales derived from overseas customers constitute more than 50%, and NRE revenue derived from overseas customers constitute approximately 70%.



11

Breakdowns of yearly ratios by process node of net sales and NRE revenue are presented on the slide.

The ratios in both net sales and NRE revenue are shifting to be weighted more on advanced process nodes.

We also started the shipments of products based on 7nm process node.



Introduction

Consolidated Financial Results for the 6 Months Ended September 30, 2022

- *Actual Consolidated Financial Results*
- *Forecast Consolidated Earnings*



(Yen in billions)

	FY2022/3				FY2023/3			
	1Q	2Q	3Q	4Q	1Q	2Q	YoY	YoY %
Net Sales	27.1	28.3	29.8	31.8	39.9	42.8	+14.5	+51.1%
Product Revenue	19.2	21.2	20.4	23.7	31.0	35.3	+14.1	+66.4%
NRE Revenue	6.4	6.4	7.7	7.5	8.7	7.4	+0.9	+14.5%
Others	1.5	0.7	1.6	0.5	0.2	0.2	-0.5	-74.0%
Cost of Goods Sold	11.9	12.2	12.1	13.5	19.9	22.1	+9.9	+81.3%
Selling, general and administrative	14.4	13.6	15.3	15.5	14.5	15.9	+2.2	+16.5%
R&D	10.4	10.0	11.5	11.3	10.6	11.5	+1.6	+15.6%
SG&A	4.0	3.7	3.8	4.2	3.9	4.4	+0.7	+18.9%
Operating Income	0.8	2.5	2.4	2.7	5.6	4.9	+2.3	+91.9%
Margin	3.0%	8.9%	8.0%	8.7%	14.0%	11.4%	+2.5%pt	
Profit¹	0.2	2.4	2.1	2.8	5.1	5.0	+2.5	+102.6%
Margin	0.6%	8.6%	6.9%	8.9%	12.7%	11.6%	+3.0%pt	
FX Rate (USD/JPY)	109.5	110.1	113.7	116.2	129.6	138.4		

1. "Profit" means profit attributable to owners of parent

*Quarterly financial results of FY22/3 are unaudited•unreviewed by external auditors

13

The net sales were 42.8 billion yen in the 2nd quarter (the 3-month period ended September 30, 2022), an increase of 51.1% from the same period of the previous fiscal year (the 3-month period ended September 30, 2021).

Cost of goods sold was 22.1 billion yen, R&D expenses were 11.5 billion yen, SG&A expenses were 4.4 billion yen.

As a result, the operating income was 4.9 billion yen in the 2nd quarter (the 3-month period ended September 30, 2022), an increase of 91.9% from the same period of the previous fiscal year (the 3-month period ended September 30, 2021)

The increases in both net sales and operating income were due mainly to launch of mass production of large-scale design wins acquired since FY20/3, as well as the positive impact of the depreciation of Japanese yen.

The decrease of operating income in the 2nd quarter (the 3-month period ended September 30, 2022) compared to previous quarter was due to the timing of NRE revenue recognition, that NRE revenue is generally weighted more in the 1st quarter of fiscal years. Therefore, there is no impact on comprehensive upward trend of our business.

In addition, the profit remained at the same level compared to previous quarter due to the foreign exchange gain related to the depreciation of Japanese yen.

(Yen in billions)

	FY2022/3		FY2023/3		
	1H	2 H	1H	YoY	YoY%
Net Sales	55.4	61.6	82.8	+27.3	+49.3%
Product Revenue	40.4	44.1	66.3	+25.9	+64.0%
NRE Revenue	12.8	15.3	16.1	+3.3	+25.4%
Others	2.2	2.1	0.4	-1.8	-83.6%
Cost of Goods Sold	24.1	25.7	42.0	+17.9	+74.3%
Selling, general and administrative expenses	28.0	30.8	30.4	+2.3	+8.3%
R&D	20.4	22.8	22.1	+1.7	+8.4%
SG&A	7.6	8.0	8.3	+0.6	+8.2%
Operating Income	3.3	5.1	10.5	+7.1	+212.9%
Margin	6.0%	8.3%	12.6%	+6.6%pt	
Profit¹	2.6	4.9	10.0	+7.4	+285.3%
Margin	4.7%	7.9%	12.1%	+7.4%pt	
FX Rate (USD/JPY)	109.8	115.0	134.0		

1. "Profit" means profit attributable to owners of parent * Half year financial results of FY22/3 are unaudited*unreviewed by external auditors

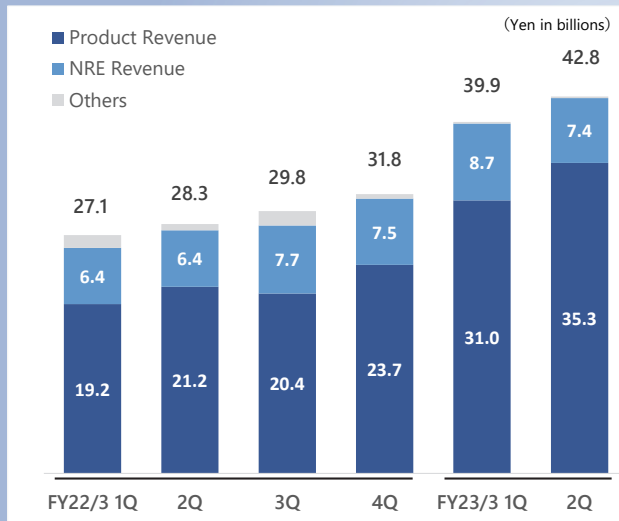
14

The 1st half financial results are disclosed for reference purposes only.

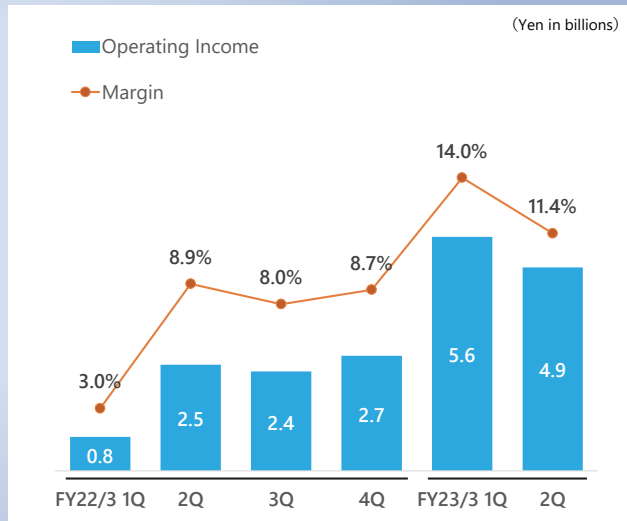
The net sales of the 1st half(the 6-month period ended September 30, 2022) were 82.8 billion yen, an increase of 49.3% from the same period of the previous fiscal year(the 6-month period ended September 30, 2021)

The operating income of the 1st half(the 6-month period ended September 30, 2022) was 10.5 billion yen, an increase of 212.9% from the same period of the previous fiscal year(the 6-month period ended September 30, 2021)

Net Sales



Operating Income



*Quarterly financial results of FY22/3 are unaudited*unreviewed by external auditors

15

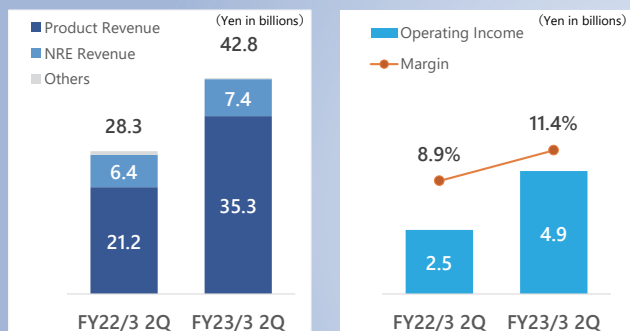
The trends of net sales and operating income from the quarter ended June 30, 2021 to the quarter ended September 30, 2022. are presented on the slide.

Product revenue increased steadily from the quarter ended March 31, 2022 due to launch of mass production of the large-scale design wins acquired since FY20/3.

The trend of NRE revenue remains upward but varied from quarter to quarter caused by the timing of deliverables completion varied in design and development stage.

Operating income also increased steadily in connection with the increase of net sales.

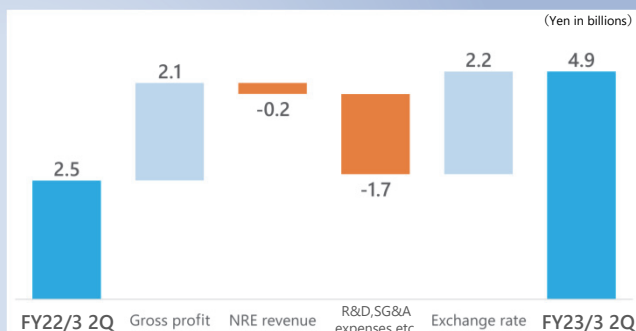
2Q Net Sales & Operating Income



<Net Sales> YoY +14.5 bn JPY (+51.1%)

- Product revenue +14.1 bn JPY
(Shipment volume increase +8.3 bn JPY, FX impact +5.8 bn JPY)
- NRE revenue +0.9 bn JPY
(FX impact +1.1 bn JPY, NRE revenue before FX impact -0.2 bn JPY)
- Others -0.5 bn JPY (IP license revenue decrease)
- Depreciation of Japanese yen +6.9 bn JPY (USD/JPY 110→138)

Operating Income YoY changes analysis



<Operating Income> YoY +2.3 bn JPY (+91.9%)

- Increase gross profit related to product revenue +2.1 bn JPY
- Increase R&D・SG&A, etc. -1.7 bn JPY
- Depreciation of Japanese yen +2.2 bn JPY

*Quarterly financial results of FY 22/3 are unaudited*unreviewed by external auditors 16

The net sales for the 2nd quarter (3-month period ended September 30, 2022) were 42.8 billion yen, an increase of 14.5 billion yen from the same period of the previous fiscal year(3-month period ended September 30, 2021) .

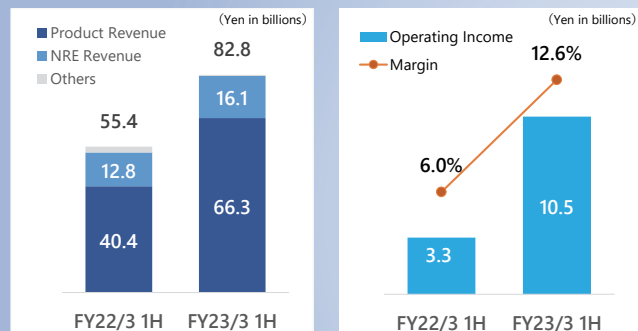
The operating income for the 2nd quarter (3-month period ended September 30, 2022) was 4.9 billion yen, an increase of 2.3 billion yen from the same period of the previous fiscal year(3-month period ended September 30, 2021) .

The increase in net sales is due mainly to the increase in 5G networks and data centers market. In addition, the positive impact under the depreciation of Japanese yen upon the net sales was 6.9 billion yen.

The increase in operating income is due mainly to increased gross profit in connection with increased product revenue, and the positive impact under the depreciation of Japanese yen.

Since our custom SoCs are customized to customers' specification for certain products and purposes, we would like to keep our customers' name confidential.

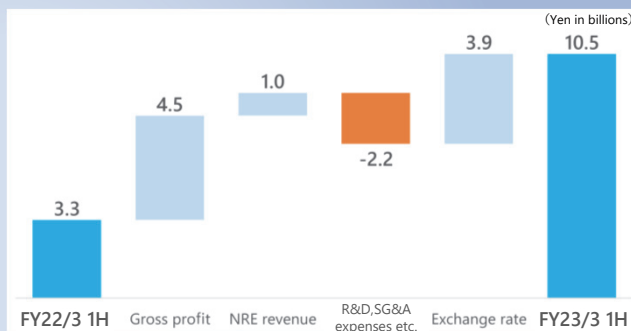
1H Net Sales & Operating Income



<Net Sales> YoY +27.3 bn JPY (+49.3%)

- Product revenue +25.9 bn JPY
(Shipment volume increase +16.4 bn JPY, FX impact +9.5 bn JPY)
- NRE revenue +3.3 bn JPY
(FX impact +2.3 bn JPY, NRE revenue before FX impact +1 bn JPY)
- Other -1.8 bn JPY (IP license revenue decrease)
- Depreciation of Japanese yen +11.5 bn JPY (USD/JPY 110→134)

Operating Income YoY changes analysis



<Operating Income> YoY +7.1 bn JPY (+212.9%)

- Increase gross profit related to product revenue +4.5 bn JPY
- Increase NRE revenue +1 bn JPY
- Increase R&D・SG&A, etc. -2.2 bn JPY
- Depreciation of Japanese yen +3.9 bn JPY

* Half year financial results of FY22/3 are unaudited*unreviewed by external auditors 17

The net sales for the 1st half (6-month period ended September 30, 2022) were 82.8 billion yen, an increase of 27.3 billion yen from the same period of the previous fiscal year(6-month period ended September 30, 2021).

The operating income for the 1st half (6-month period ended September 30, 2022) was 10.5 billion yen, an increase of 7.1 billion yen from the same period of the previous fiscal year(6-month period ended September 30, 2021).

The increase in operating income of the 1st half is due mainly to, the same as the 2nd quarter, the increased gross profit in connection with increased product revenue, and the positive impact under the depreciation of Japanese yen.

The increase in net sales is due mainly to the significant increase in 5G networks and data centers market, and the increase in smart devices market. In addition, there was a positive impact on net sales of 11.5 billion yen, result from the depreciation of Japanese.

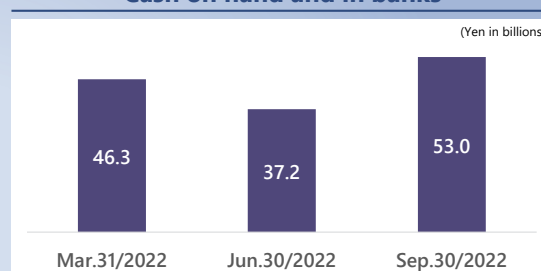
Consolidated Balance Sheets (As of September 30, 2022)

	As of Mar.31,2022	As of Sep.30,2022	Change
(Yen in Billions)			
Total Assets	118.4	168.9	+50.4
Total Current Assets	90.6	135.4	+44.8
Cash on-hand and in banks	46.3	53.0	+6.7
Accounts receivable-trade	25.1	31.6	+6.6
Inventories ¹	16.4	29.6	+13.2
Accounts receivable-other	0.9	15.0	+14.1
Total non-Current Assets	27.8	33.4	+5.6
Total Liabilities	28.8	68.4	+39.6
Total Current Liabilities	27.4	66.6	+39.2
Accounts payable-trade	16.6	30.2	+13.6
Accounts payable-other	2.1	12.1	+10.1
Liabilities related to changeable subcontracting	-	13.3	+13.3
Total Net Assets	89.6	100.5	+10.9
Shareholders' Equity Ratio	76%	59%	

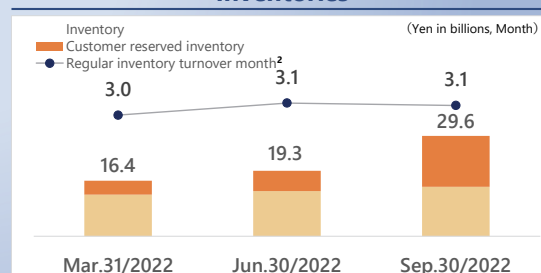
1. Inventories consist of finished goods and work in process

2. The holding months of ordinary inventories = ordinary inventories balance/COGs in 3-month average

Cash on hand and in banks



Inventories



For financial position, total assets was 168.9 billion yen, an increase of 50.4 billion yen, total liabilities were 68.4 billion yen, and increase of 39.6 billion yen, net assets were 100.5 billion yen, an increase of 10.9 billion yen from the end of the previous fiscal year.

The increase of 50.4 billion yen from the previous fiscal year in total assets is due mainly to the increase in customer reserved inventories which are purchased by customers requests to secure wafers in advance against wafer shortage. The customers agreed to pay for the procurement cost of wafers thus there is no impact on cash on hand and in banks as well as profit.

The scale of the transaction is 30 billion yen and resulted in increases in both assets and liabilities, which are increases in inventories as well as accounts receivable-other of assets, and in accounts payable, accounts payable-other and liabilities related to chargeable subcontracting of liabilities.

As the graph on the lower right shows, we manage the inventory associated with the transaction described above separately from regular inventories.

The regular inventory turnover month is maintained at an appropriate level.

Another 20 billion yen resulted from the increases in cash on hand and in banks, accounts receivable, accounts payable, and accounts payable-other in connection with net sales increase and company expansion.

Shareholders' equity ratio will drop temporarily due to customers' requests to secure wafers in advance but will recover in next fiscal year.

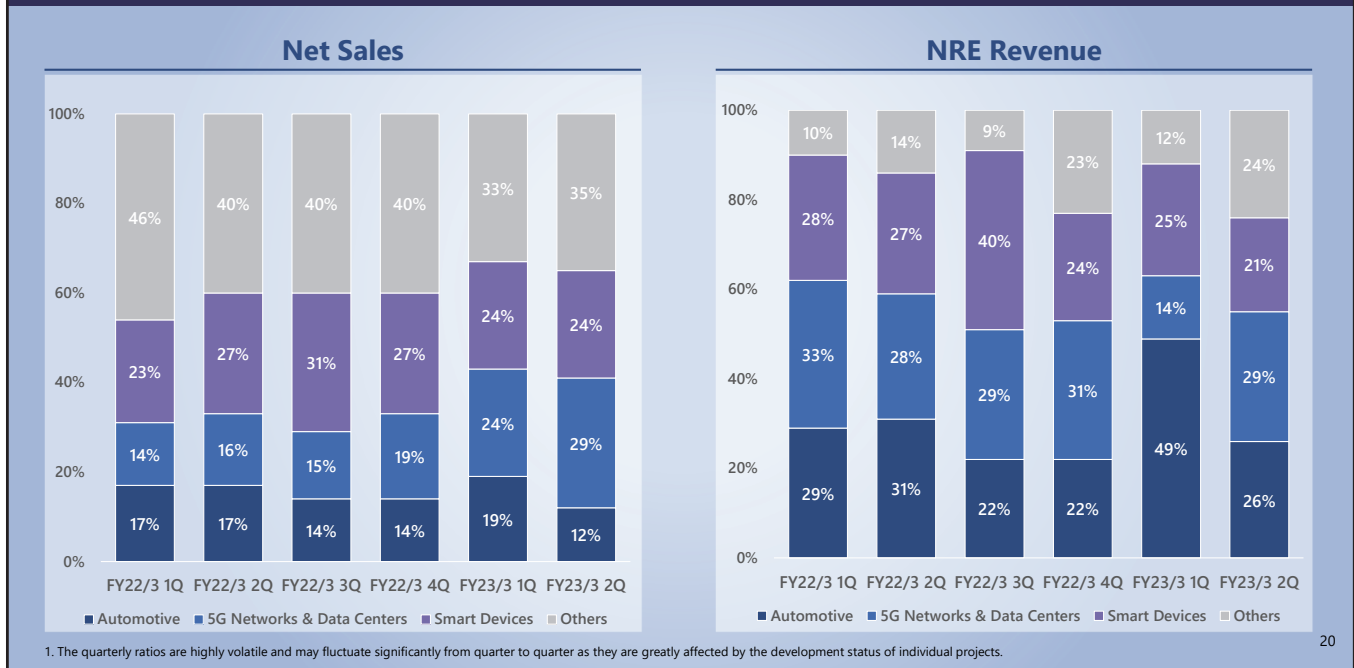
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Appendix:

Breakdowns of Net Sales and Operating Income
(Quarterly ratios)



Breakdowns by Application Market (Quarterly Ratios)



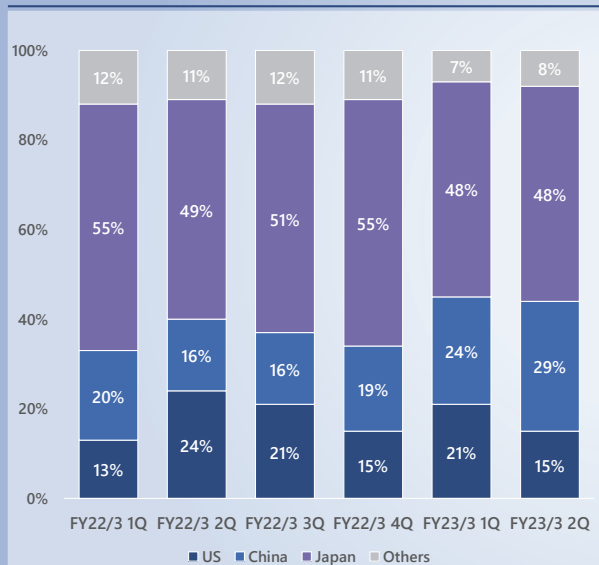
The quarterly ratios are presented for reference purposes only in following slides.

Please note that net sales and NRE revenue quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter which is not consist with overall trend as they are greatly affected by the development status of individual projects.

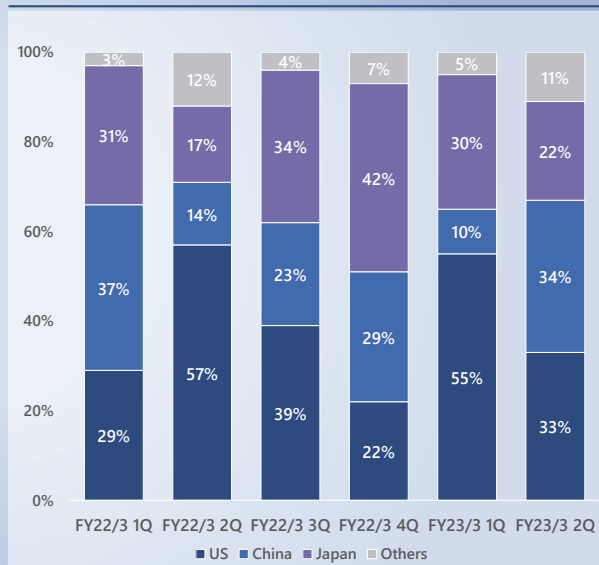
NRE revenue is recognized upon the completion of each development phase and has a trend to concentrate in the period of such as engineering samples shipment. Therefore, NRE revenue recognition could not be evenly distributed throughout the period.

Breakdowns by geographic region and process node are presented in following slides.

Net Sales

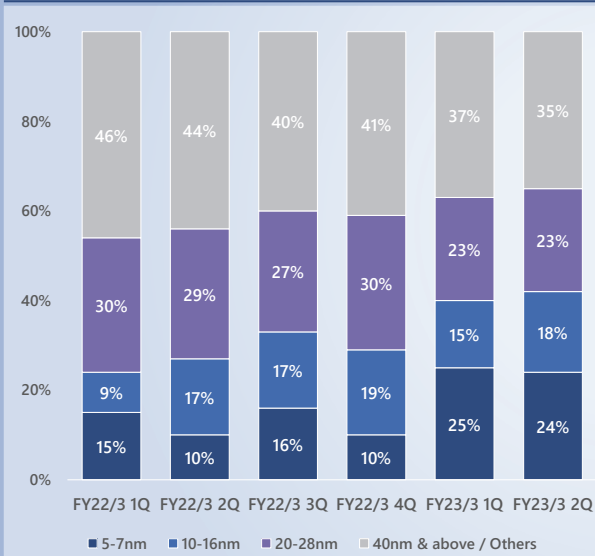


NRE Revenue

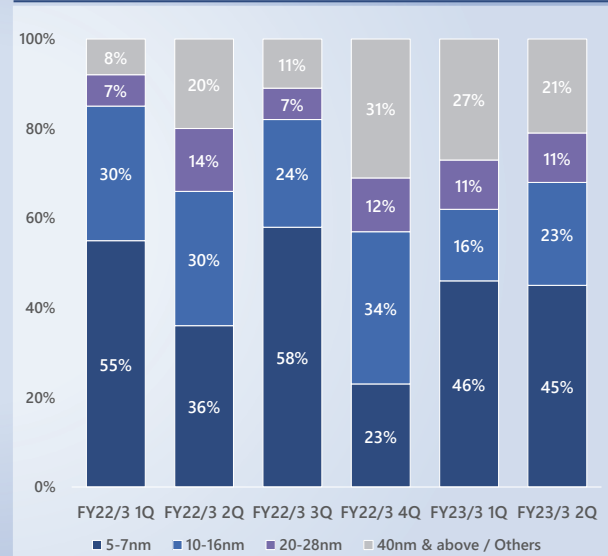


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

Net Sales



NRE Revenue



1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

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Cautionary Note Regarding “Design Win Amount”

The calculation of “design win amount” involves a considerable degree of future estimation and subjective judgment, including assumptions regarding development plans, development costs, NRE revenues, per-unit prices and estimated future product sales volumes as well as the estimated lifespan and likelihood of cancellation of particular products. Product sales volumes are estimated based on preliminary customer indications of volume as well as our own projections made using historical customer transaction data, third-party market data and other factors while restrictions on the available manufacturing capacity for our products are not fully taken into account. We may change our calculation method for “design win amount” and have done so in the past, and thus a direct period-to-period comparison may not be meaningful beyond describing general trends over an extended period. Design win information is calculated on a management accounting basis and is formulated and used internally for management’s assessment of business performance and strategic initiative planning. Due to our relatively short operating history under our new business model and the extended period of time before a design win contributes to our product revenue, we have limited financial data that can be used to evaluate our business and future prospects, and our management believes that our operating results in recent fiscal years may not be indicative of our future performance. We present design win information for reference purposes only. You should not place undue reliance on design win information presented herein. Please refer to page 23 of this presentation regarding certain risks associated with forward-looking statements.

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