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Consolidated Financial Results for the 9 Months Ended December 31, 2022 (Based on Japanese GAAP)

January 30, 2023

Company name: Socionext Inc. Stock exchange listing: Tokyo
 Code number: 6526 URL: <https://www.socionext.com/en/>
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 Scheduled filing date of statutory quarterly financial report: February 14, 2023
 Scheduled dividend payment date: -
 Supplementary material: Yes
 Quarterly financial results presentation: Yes (for institutional investors and analysts)

(Monetary amounts are rounded to the nearest millions of yen)

1. Consolidated financial results for the 9 months ended December 31, 2022 (From April 1, 2022 to December 31, 2022)

(1) Consolidated financial results (Percentage represents change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
9 months ended								
December 31, 2022	138,841	-	16,748	-	18,266	-	15,246	-
December 31, 2021	-	-	-	-	-	-	-	-

Note: Comprehensive income: 9 months ended December 31, 2022 15,604 million yen (-%) 9 months ended December 31, 2021: - million yen (-%)

	Basic earnings per share	Diluted earnings per share
9 months ended	yen	yen
December 31, 2022	452.85	432.43
December 31, 2021	-	-

Notes:

- The Company did not prepare consolidated financial statements for the 9 months ended December 31, 2021, as a result, the amount of the 9 months ended December 31, 2021 and the change from the same period of the previous fiscal year is not presented.
- The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the shares of Type A shares and Type B shares on September 6, 2022 and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company conducted the cancellation of all the shares of Type A shares and Type B shares. Basic earnings per share is computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the year ending March 31, 2023.
- As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, diluted earnings per share for the 9 months ended December 31, 2022 is computed by deeming the average stock price during the period from the listing date to December 31, 2022 as the average stock price during the 9-month period.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	millions of yen	millions of yen	%
December 31, 2022	191,678	105,213	54.9
March 31, 2022	118,428	89,609	75.7

Reference: Shareholder's equity As of December 31, 2022: 105,201 million yen

As of March 31, 2022: 89,597 million yen

2. Dividends per share

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Year end	yen	yen	yen	yen	yen
March 31, 2022	-	-	-	0.00	0.00
March 31, 2023	-	0.00	-		
March 31, 2023(Forecast)				190.00	190.00

Note: Revision of the latest dividends forecast: Yes

For further details, please refer to “Notice Regarding the Revision of Financial Forecasts and the Dividend Forecast” announced today (January 30, 2023).

3. Consolidated earnings forecast for the fiscal year ending March 31, 2023(From April 1, 2022 to March 31, 2023)

(Percentage represents change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending March 31, 2023	190,000	62.4	19,500	130.4	19,500	115.5	16,200	116.6	481.19

Notes:

- The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the shares of Type A shares and Type B shares on September 6, 2022 and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company conducted the cancellation of all the shares of Type A shares and Type B shares. Basic earnings per share is computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the year ending March 31, 2023.
- Revision of the latest consolidated earnings forecast: Yes
For further details, please refer to “Notice Regarding the Revision of Financial Forecasts and the Dividend Forecast” announced today (January 30, 2023).

※ Notes

(1) Changes in significant subsidiaries during the current reporting period

(Changes in specified subsidiaries resulting from changes in the scope of consolidation): No

(2) Application of special accounting methods for quarterly consolidated financial statements: No

(3) Changes in accounting policies, accounting estimates and retrospective restatements for consolidated financial statements

- Changes in accounting policies due to revisions of the accounting standards and other regulations: Yes
- Changes arising from factors other than ①: No
- Changes in accounting estimates: No
- Retrospective restatements: No

(4) Number of issued shares (Common stock)

① Number of shares issued at the end of the period (including treasury stock)	3rd quarter ended December 31, 2022	33,666,666	Year ended March 31, 2022	33,666,666
② Number of treasury stock held at the end of the period	3rd quarter ended December 31, 2022	-	Year ended March 31, 2022	-
③ Average number of shares during the period	3rd quarter ended December 31, 2022	33,666,666	3rd quarter ended December 31, 2021	33,666,666

Note: The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the shares of Type A shares and Type B shares on September 6, 2022 and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company conducted the cancellation of all the shares of Type A shares and Type B shares. Number of shares issued at the end of the period, treasury stock held at the end of the period, average number of shares during the period are computed based on the assumption that the share consolidation was conducted at the beginning of the year ending March 31, 2022.

※ These quarterly consolidated financial results are not subject to the review procedure of external auditors' quarterly review.

※ Explanation of the proper use of earnings forecast and other special notes

These materials may contain forward-looking statements that are based on management's current information, actual results may differ materially from these forward-looking statements for various reasons. For information regarding the assumptions used to prepare the forecast and cautionary note of the forecast, please refer to "1. Qualitative information regarding the quarterly consolidated financial results (3) Consolidated earnings forecast and other forward-looking information" on page 3 for more details.

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1. Qualitative information regarding the quarterly consolidated financial results

(1) Description of operating results

During the 9 months ended December 31, 2022, although COVID-19 related restrictions have been loosened and which is paving the way for a gradual return to normal economic activities, the economic slowdown caused by factors such as rising energy and food costs related to the conflict in Ukraine, rising interest rate mainly in the United States and Europe due to the countermeasures against soaring prices as well as deteriorating economic growth in countries and regions increased uncertainties regarding future economic developments. In addition, differences in monetary policies in countries and areas resulted in the volatility of Japanese yen.

In semiconductor market, abating consumer-related demand sparked by COVID-19 and slowdown of global economy are weakening demand in consumer end markets such as smartphones, PCs, and consumer electronics, which further lead to demand decline in whole semiconductor industry. As a result, production quota at the manufacturing partners has been secured to meet product demand from our customers.

Under such circumstances, the Group (Socionext Inc., and its consolidated subsidiaries) achieved the completion of the design and development stage of certain design wins acquired since 2019 based on 7nm and finer process nodes in our focus areas including data center & networking, automotive, and entered the mass production stage, that has been contributed to increased net sales. In addition, production quota at the manufacturing partners has been secured, which contributed to product revenue increase especially in areas of advanced technologies.

As a result, the consolidated net sales for the 9 months ended December 31, 2022 were 138,841 million yen. The semiconductor products (product revenue) in the 9-month period ended December 31, 2022 achieved 110,240 million yen due to the start of mass production of design wins acquired since 2019, the acceleration of the mass production and the positive impact under the depreciation of the Japanese yen. The non-recurring engineering (NRE revenue) was 27,617 million yen due mainly to increasing development projects of products using advanced process technologies.

[Net sales]	(millions of yen)
	Current 9 months ended December 31, 2022
Semiconductor products (product revenue)	110,240
Non-recurring engineering (NRE revenue)	27,617
Others	984
Total	138,841

Cost of sales was 73,752 million yen due to increased product revenue, and the depreciation of Japanese yen. Selling, general and administrative expenses were 48,341 million yen including research and development costs of 35,507 million yen due to increasing development projects of products using advanced process technologies and the depreciation of Japanese yen.

Operating income in the 9-month period ended December 31, 2022 was 16,748 million yen, ordinary income was 18,266 million yen included foreign exchange gain, and profit attributable to owners of parent was 15,246 million yen.

The Group has a single segment of Solution SoC business.

(2) Description of financial position

① Assets, liabilities and net assets

(Assets)

Current assets as of December 31, 2022 increased by 63,981 million yen from the end of the previous fiscal year to 154,597 million yen. This is due mainly to the increases in inventories as well as accounts receivable-other related to customers' request to secure wafers in advance against wafer shortage. In addition, there are increases in accounts receivable as well as inventories in accordance with the increased product revenue.

Non-current assets as of December 31, 2022 increased by 9,269 million yen from the end of the previous fiscal year to 37,081 million yen. The increase is due mainly to the acquisition of reticles, IP, etc. in connection with products development of acquired design wins, and those for improving data center for increasing development scales.

As a result, total assets as of December 31, 2022 increased by 73,250 million yen from the end of the previous fiscal year to 191,678 million yen.

(Liabilities)

Current liabilities as of December 31, 2022 increased by 57,374 million yen from the end of the previous fiscal year to 84,815 million yen. This is due mainly to the increases in accounts payable, liabilities related to chargeable subcontracting as well as accounts payable-other related to increased purchases from manufacturers in accordance with increasing product revenue, and customers' request to secure wafers in advance against wafer shortage.

As a result, total liabilities as of December 31, 2022 increased by 57,646 million yen from the end of the previous fiscal year to 86,465 million yen.

(Net assets)

Net assets as of December 31, 2022 increased by 15,604 million yen from the end of the previous fiscal year to 105,213 million yen. The primary increase was 15,246 million yen in profit attributable to owners of parent for 9 months ended December 31, 2022.

As a result, the shareholders' equity ratio has been 54.9%. The temporary ratio drop is due to customers' request to secure wafers in advance against wafer shortage.

② Cash flows

Cash and cash equivalents as of December 31, 2022 decreased by 8,127 million yen from the end of the previous fiscal year to 38,144 million yen.

Net cash provided by operating activities was 7,297 million yen for the 9 months ended December 31, 2022. This is due mainly to profit before income taxes of 18,266 million yen, an increase in accounts receivable of 14,712 million yen caused by factor that collection of accounts receivable generated by increased net sales of current period will concentrate in next quarter. The increase in inventories is due mainly to customers' request to secure wafers in advance against wafer shortage, meanwhile customers afford the costs of procurements of inventories, as a result, the transactions above are included in "Decrease (increase) in other assets" and "Increase (decrease) in other liabilities" of consolidated statements of cash flows and have no net impact on our cash flow.

Net cash used in investing activities was 15,987 million yen for the 9 months ended December 31, 2022. This is due mainly to the purchases of 10,604 million yen of property, plant and equipment including reticles and test boards using for products development related to required design wins, and those for improving the environment of design and development, and the purchases of 5,414 million yen of intangible assets including IP.

Net cash used in financing activities was 239 million yen and this is due to repayments of lease obligations.

To respond to increasing needs for working capital related to increasing product revenue, global economic slowdown and geopolitical risks, the Company entered into another commitment line agreement of 10 billion yen besides existing commitment line agreement of 10 billion yen, and the maximum amount for the commitment lines was 20 billion yen. As of December 31, 2022, the commitment lines of total 20 billion yen were unused.

(3) Consolidated earnings forecast and other forward-looking information

Since production quota at the manufacturing partners has been secured for the new products in areas including data center & networking, in addition that Japanese yen has depreciated against the assumed exchange rates, the Company has revised the forecast for the consolidated earnings for the current fiscal year ending March 31, 2023 announced on September 6, 2022. For further details, please refer to "Notice Regarding the Revision of Financial Forecasts and the Dividend Forecast" announced today (January 30, 2023).

Revision to the full-year consolidated earnings forecasts (From April 1, 2022 to March 31, 2023)

		Net sales	Operating income	Ordinary income	Profit attributable to owners of parent
		millions of yen	millions of yen	millions of yen	millions of yen
Full Year	Previous forecast(A)	170,000	17,000	17,000	13,000
	Revised forecast(B)	190,000	19,500	19,500	16,200
	Change(B-A)	20,000	2,500	2,500	3,200

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2022	As of December 31, 2022
Assets		
Current assets		
Cash on hand and in banks	46,271	38,144
Accounts receivable-trade, net	25,053	40,313
Finished goods	1,488	3,129
Work in process	14,921	42,609
Accounts receivable-other	914	25,240
Other current assets	1,969	5,162
Total current assets	90,616	154,597
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,371	2,694
Machinery and equipment, net	11	9
Tools, furniture and fixtures, net	8,159	12,890
Land	800	800
Construction in progress	287	1,034
Total property, plant and equipment, net	11,628	17,427
Intangible assets		
Technology assets	11,172	12,078
Other	1,076	1,274
Total intangible assets	12,248	13,352
Investments and other assets		
Investment securities	0	0
Deferred tax assets	3,098	5,472
Other assets	838	830
Total investments and other assets	3,936	6,302
Total non-current assets	27,812	37,081
Total assets	118,428	191,678
Liabilities		
Current liabilities		
Accounts payable-trade	16,609	30,420
Accounts payable-other	2,054	14,915
Accrued expenses	4,865	4,168
Income taxes payable	2,609	4,607
Liabilities related to chargeable subcontracting	-	28,510
Other current liabilities	1,304	2,195
Total current liabilities	27,441	84,815
Long-term liabilities		
Asset retirement obligations	316	343
Other long-term liabilities	1,062	1,307
Total long-term liabilities	1,378	1,650
Total liabilities	28,819	86,465
Net assets		
Shareholders' equity		
Common stock	30,200	30,200
Capital surplus	30,200	30,200
Retained earnings	28,867	44,113
Total shareholders' equity	89,267	104,513
Accumulated other comprehensive income		
Foreign currency translation adjustments	330	688
Total accumulated other comprehensive income	330	688
Share subscription rights	12	12
Total net assets	89,609	105,213
Total liabilities and net assets	118,428	191,678

(2) Quarterly consolidated statements of income and comprehensive income
Quarterly consolidated statements of income
(For 9 months)

(Millions of yen)

	9 months ended December 31, 2022
Net sales	138,841
Cost of sales	73,752
Gross profit	65,089
Selling, general and administrative expenses	48,341
Operating income	16,748
Non-operating income	
Foreign exchange gain	1,448
Other income	93
Total non-operating income	1,541
Non-operating expenses	
Other expenses	23
Total non-operating expenses	23
Ordinary income	18,266
Profit before income taxes	18,266
Income taxes – current	5,445
Income taxes – deferred	(2,425)
Total income taxes	3,020
Profit	15,246
Profit attributable to owners of parent	15,246

Quarterly consolidated statements of comprehensive income
(For 9 months)

(Millions of yen)

	9 months ended December 31, 2022
Profit	15,246
Other comprehensive income	
Foreign currency translation adjustments	358
Total other comprehensive income	358
Comprehensive income	15,604
Total comprehensive income attributable to:	
Owners of parent	15,604
Non-controlling interests	-

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	9 months ended December 31, 2022
Operating activities	
Profit before income taxes	18,266
Depreciation and amortization	8,745
Interest and dividend income	(76)
Loss on retirement of non-current assets	1,076
Loss (gain) on sale of non-current assets	(15)
Decrease (increase) in accounts receivable	(14,712)
Decrease (increase) in inventories	(29,324)
Increase (decrease) in accounts payable	12,925
Decrease (increase) in other assets	(27,476)
Increase (decrease) in other liabilities	41,227
Other	(204)
Subtotal	10,432
Interest and dividends received	76
Income taxes paid	(3,211)
Net cash provided by operating activities	7,297
Investing activities	
Purchases of property, plant and equipment	(10,604)
Purchases of intangible assets	(5,414)
Proceeds from sales of non-current assets	15
Other	16
Net cash used in investing activities	(15,987)
Financing activities	
Repayments of lease obligations	(239)
Net cash used in financing activities	(239)
Effect of exchange rate changes on cash and cash equivalents	802
Increase in cash and cash equivalents	(8,127)
Cash and cash equivalents at the beginning of the period	46,271
Cash and cash equivalents at the end of the period	38,144

(4) Notes to consolidated financial statements

Assumptions of a going concern

None.

Significant changes in shareholders' equity

None.

Changes in accounting policies

Implementation Guidance on Accounting Standard for Fair Value Measurement

The "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 31, June 17, 2021; the "Fair Value Measurement Guidance") has been applied from the beginning of the first quarter of the fiscal year ending March 31, 2023. In accordance with the transitional treatment stipulated in the Paragraph 27-2 of the Fair Value Measurement Guidance, the Company has applied the new accounting policies stipulated in the Fair Value Measurement Guidance prospectively.

The application of the Fair Value Measurement Guidance has no impact on the quarterly consolidated financial statements of current fiscal year.

Additional information

Accounting estimates related to the impact of the novel coronavirus (COVID-19)

The impact of COVID-19 on the Group's sales are limited while details and degree of the impact differ depending on businesses and areas the Group operates. Accordingly, the Group determines that the impact of COVID-19 will not significantly affect accounting estimates, including impairment of non-current assets and recoverability of deferred tax assets, in the third quarter of the fiscal year ending March 31, 2023.

Segment information

(From April 1, 2022 to December 31, 2022)

The Group has a single segment of Solution SoC business.