

The Socionext logo is displayed in white lowercase letters on a dark blue background. The background of the slide features a large, light blue arrow pointing to the right, which frames the text on the right side.

Fiscal Year Ended March 31, 2023

Consolidated Financial Results

April 28, 2023
Socionext Inc.

Thank you all for taking time today.

This is Masahiro Koezuka, CEO of Socionext.

Let me start with an overview of our financial results in fiscal year ended March 31, 2023.

socionext™

**Consolidated Financial Results
for the Fiscal Year Ended March 31, 2023**

- *FY23/3 Results*
- *FY24/3 Forecast*

Mid-Term Financial Model



(Yen in billions)

	FY22/3	FY23/3	YoY	YoY %	(Reference)	
					Disclosure as of	
					Sep. 2022	Jan. 2023
Net Sales	117.0	192.8	75.8	64.7%	170.0	190.0
Product Revenue	84.6	156.8	72.2	85.3%	—	—
NRE Revenue	28.1	34.9	6.8	24.0%	—	—
Others	4.3	1.1	-3.2	-73.3%	—	—
Cost of Sales	49.8	103.9	54.2	108.9%	—	—
Selling, General and Administrative Expenses	58.8	67.1	8.3	14.2%	—	—
R&D	43.2	49.3	6.1	14.2%	—	—
SG&A (excluding R&D)	15.6	17.8	2.2	14.0%	—	—
Operating Income	8.5	21.7	13.2	156.5%	17.0	19.5
Margin	7.2%	11.3%	+4.1%pt		10.0%	10.3%
Profit	7.5	19.8	12.3	164.2%	13.0	16.2
Margin	6.4%	10.3%	+3.9%pt		7.6%	8.5%
FX Rate (USD/JPY)	112.4	135.5			125	132

First, let me explain the financial results of fiscal year ended March 31, 2023 (FY23/3).

Net sales were 192.8 billion yen in FY23/3, an increase of 64.7% from the previous fiscal year.

Operating income was 21.7 billion yen, an increase of 156.5% from the previous fiscal year.

The main factors for the increases for both net sales and operating income include the start of the mass production of large-scale design wins from FY20/3, and the successful securing of manufacturing capacity, which had been a constraint of sales growth.

Gross profit margin decreased because of an increase of temporary costs to secure our production quotas and a change in proportion of net sales, however, operating income margin and profit margin increased due to the increase of gross profit.

The factors for the differences between our latest forecasts and our actual figures were increases of product gross profit, decreases of expenses, and changes of FX rates.

We will explain the reasons of the differences in actual performance between FY22/3 and FY23/3 in the following slides.

(Yen in billions)

	FY22/3				FY23/3				YoY	YoY %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
Net Sales	27.1	28.3	29.8	31.8	39.9	42.8	56.1	53.9	22.2	69.8%
Product Revenue	19.2	21.2	20.4	23.7	31.0	35.3	43.9	46.5	22.8	96.3%
NRE Revenue	6.4	6.4	7.7	7.5	8.7	7.4	11.5	7.3	-0.3	-3.9%
Others	1.5	0.7	1.6	0.5	0.2	0.2	0.6	0.2	-0.3	-67.3%
Cost of Sales	11.9	12.2	12.1	13.5	19.9	22.1	31.8	30.2	16.6	122.7%
Selling, General and Administrative Expenses	14.4	13.6	15.3	15.5	14.5	15.9	18.0	18.8	3.3	21.6%
R&D	10.4	10.0	11.5	11.3	10.6	11.5	13.4	13.8	2.6	22.7%
SG&A (excluding R&D)	4.0	3.7	3.8	4.2	3.9	4.4	4.6	5.0	0.8	18.6%
Operating Income	0.8	2.5	2.4	2.7	5.6	4.9	6.3	5.0	2.2	80.7%
Margin	3.0%	8.9%	8.0%	8.7%	14.0%	11.4%	11.2%	9.2%	+0.5%pt	
Profit	0.2	2.4	2.1	2.8	5.1	5.0	5.2	4.5	1.7	59.7%
Margin	0.6%	8.6%	6.9%	8.9%	12.7%	11.6%	9.3%	8.4%	-0.5%pt	
FX Rate (USD/JPY)	109.5	110.1	113.7	116.2	129.6	138.4	141.6	132.3		

*Quarterly financial results of FY22/3 are unaudited-unreviewed by external auditors 4

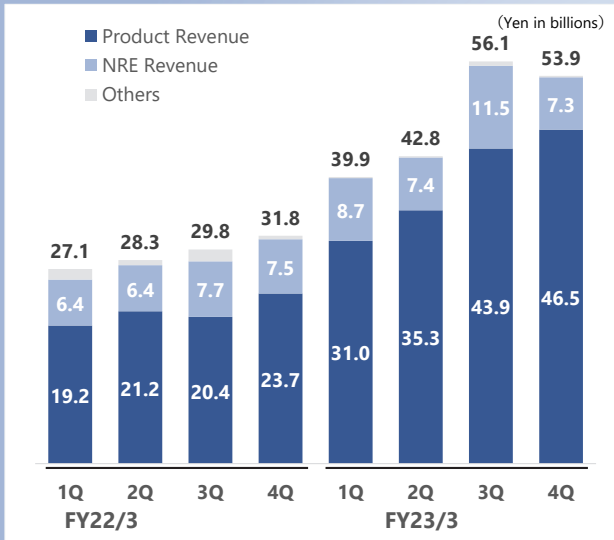
This slide shows the fourth quarter performance.

Net sales were 53.9 billion yen, an increase of 69.8% from the same quarter of the previous fiscal year (the 3 months ended March 31, 2022).

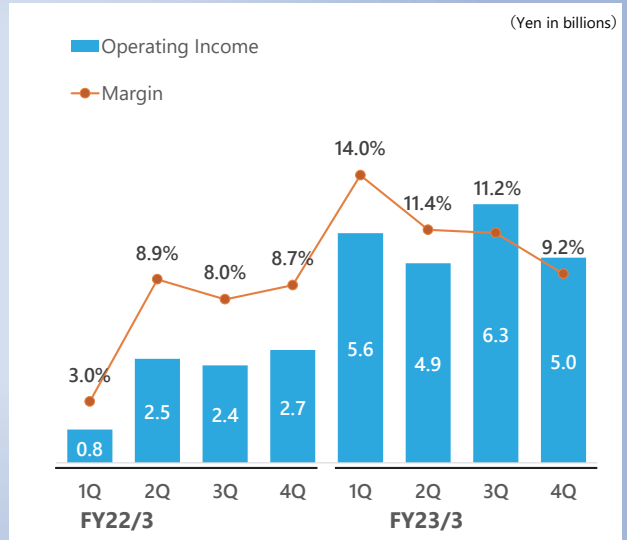
Operating income was 5.0 billion yen, an increase of 80.7% from the same quarter of the previous fiscal year (the 3 months ended March 31, 2022).

The factors for the increases of both net sales and profit were the same as explained in the full year performance on the previous page.

Net Sales



Operating Income



*Quarterly financial results of FY22/3 are unaudited-unreviewed by external auditors 5

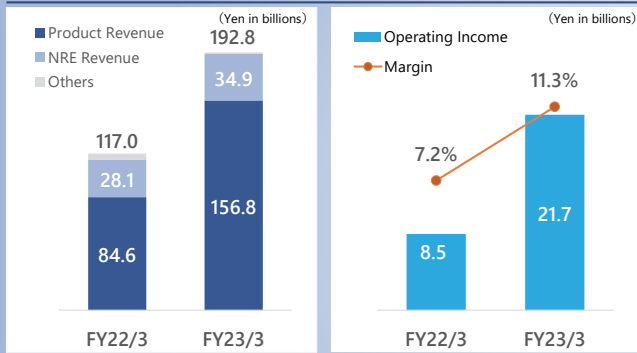
This slide shows our historical net sales and operating income from the first quarter in FY22/3 to the fourth quarter in FY23/3.

Net sales increased because of the start of mass productions of large-scale design wins from FY20/3 and securing of production capacity which had been a constraining factor for product revenue growth.

NRE revenue is a deliverable from design and development and fluctuates from quarter to quarter, but the YoY trend of NRE revenue remains upward due to large-scale design wins in the advanced technology area.

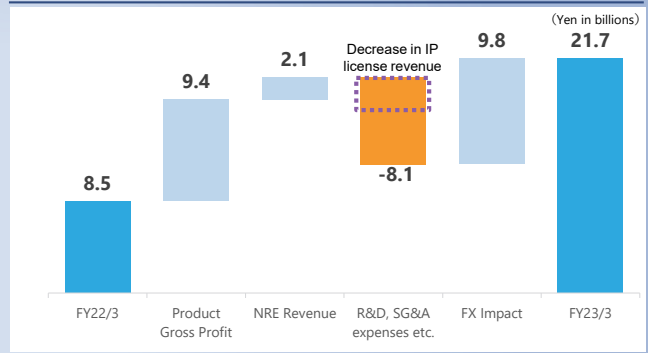
Operating income of the fourth quarter in FY23/3 decreased from the third quarter in FY23/3 because of a decrease in NRE revenue and a change in FX rates. On the other hand, operating income increased compared with the fourth quarter in FY22/3 due to an increase of net sales.

Net Sales & Operating Income



- <Net sales> YoY +75.8 bn yen (+64.7%)**
- Product revenue +72.2 bn yen (FX impact +20.9 bn yen)
 - NRE revenue +6.8 bn yen (FX impact +4.6 bn yen)
 - Others -3.2 bn yen (IP license revenue)
 - Depreciation of Japanese yen +25.6 bn yen (USD/JPY 112.4→135.5)

Operating Income YoY Changes Analysis



- <Operating income> YoY +13.2 bn yen (+156.5%)**
- Increase in gross profit from product revenue +9.4 bn yen
 - Increase in NRE revenue +2.1 bn yen
 - Increase in R&D·SG&A, etc. -8.1 bn yen (Decrease in IP license revenue -3.2 bn yen)
 - Depreciation of Japanese yen +9.8 bn yen

Net sales for FY23/3 were 192.8 billion yen, an increase of 75.8 billion yen from FY22/3.

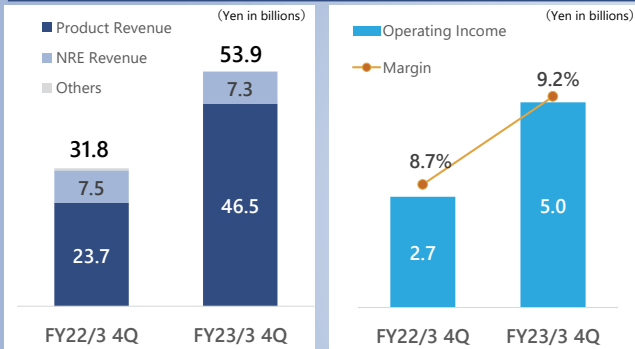
Operating income for FY23/3 was 21.7 billion yen, an increase of 13.2 billion yen from FY22/3.

The main factor of our net sales growth was the start of mass production in large-scale design wins from FY20/3 such as products for Data center & Networking (7nm), Automotive (7nm) and Smart devices (12nm).

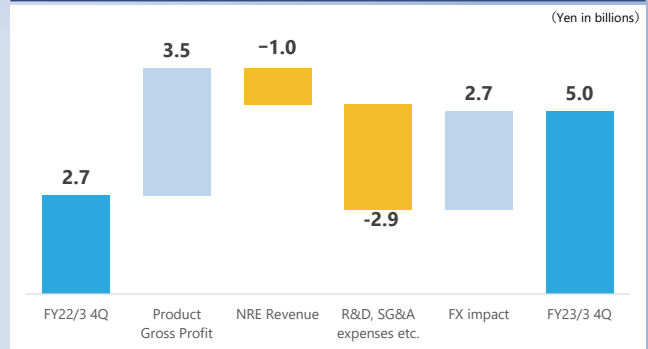
In addition, the effect of the depreciation of Japanese yen was 25.6 billion yen out of 75.8 billion yen net sales growth (Product revenue: 20.9 billion yen, NRE revenue: 4.6 billion yen).

Operating income increased because of an increase in gross profit (9.4 billion yen) and depreciation of Japanese yen (9.8 billion yen). On the other hand, special factors in FY23/3 such as the loss of IP license revenue (3.2 billion yen), and temporary cost of upfront wafer procurement (3.0 billion yen) were included.

Net Sales & Operating Income



Operating Income YoY Analysis



- <Net sales> YoY +22.2 bn yen (+69.8%)**
- Product revenue +22.8 bn yen (FX impact +4.7 bn yen)
 - NRE revenue -0.3bn yen (FX impact +0.7bn yen)
 - Others -0.3bn yen (IP license revenue)
 - Depreciation of Japanese yen +5.3 bn yen (USD/JPY 116.2→132.3)

- <Operating income> YoY +2.2 bn yen (+80.7%)**
- Increase in gross profit from product revenue +3.5bn yen
 - Decrease in NRE revenue -1.0 bn yen
 - Increase in R&D·SG&A, etc. -2.9 bn yen (Decrease in IP license revenue -0.3 bn yen)
 - Depreciation of Japanese yen +2.7 bn yen

*Quarterly financial results of FY 22/3 are unaudited·unreviewed by external auditors 7

This slide shows the analysis of net sales and operating income for the fourth quarter in FY23/3 compared with the same quarter in the previous fiscal year.

Net sales were 53.9 billion yen, an increase of 22.2 billion from the fourth quarter in the last fiscal year.

Operating income was 5.0 billion yen, an increase of 2.2 billion yen from the fourth quarter in the last fiscal year.

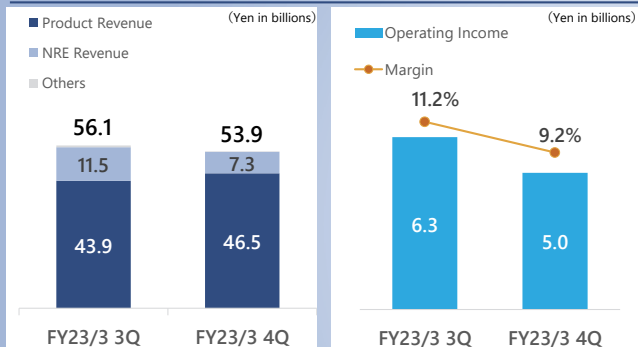
The increase in net sales was mainly due to the increase in product sales for Data center & Networking, the effect of the depreciation of Japanese yen as mentioned within our full year factors.

The increase in operating income is due to higher product sales and product gross profit as well as the effect of depreciation of Japanese yen.

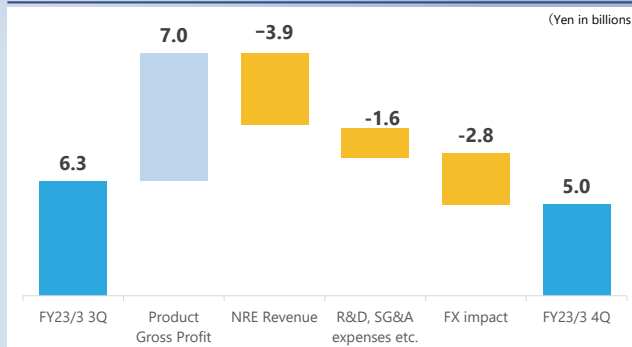
On the other hand, NRE revenue decreased by 1.0 billion yen (excluding the effect of FX) and R&D/SG&A expenses increased by 2.9 billion yen.

NRE revenue decreased as it temporarily increased in the previous quarter. Expenses increased because of depreciation & amortization of IP and reticles.

Net Sales & Operating Income



Operating Income QoQ Analysis



<Net sales> QoQ -2.1 bn yen (-3.8%)

- > Product revenue 2.6 bn yen (FX impact -2.7 bn yen)
- > NRE revenue -4.3 bn yen (FX impact -0.4 bn yen)
- > Others -0.5bn yen (IP license revenue)
- > Appreciation of Japanese yen -3.1 bn yen (USD/JPY 141.6→132.3)

<Operating income> QoQ -1.3 bn yen (-21.1 %)

- > Increase in gross profit from product revenue +7.0 bn yen
- > Decrease in NRE revenue -3.9 bn yen
- > Increase in R&D·SG&A, etc. -1.6 bn yen (IP license revenue -0.5 bn yen)
- > Appreciation of Japanese yen -2.8bn yen

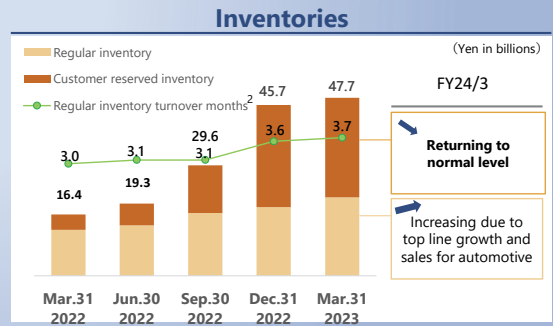
This slide shows the analysis of net sales and operating income for the fourth quarter in FY23/3 compared with the third quarter in the FY23/3.

Net sales decreased by 2.1 billion yen and operating income decreased by 1.3 billion yen.

Product revenue increased by 2.6 billion, but NRE revenue significantly decreased by 4.3 billion as NRE revenue in the third quarter was temporarily increased. Also, the appreciation of Japanese yen led to 3.1 billion yen decrease.

Operating income decreased by 1.3 billion yen overall(QoQ). Product gross profit increased by 7.0 billion yen, but NRE revenue decreased by 3.9 billion yen, R&D/SG&A expenses increased by 1.6 billion yen and the appreciation of Japanese yen led to 2.8 billion yen decrease.

	As of Mar.31,2022	As of Mar.31,2023	Change
(Yen in billions)			
Total Assets	118.4	193.9	+75.5
Total Current Assets	90.6	156.1	+65.5
Cash on-hand and in banks	46.3	45.1	-1.1
Accounts receivable-trade	25.1	40.8	+15.8
Inventories ¹	16.4	47.7	+31.3
Accounts receivable-other	0.9	16.2	+15.3
Total non-Current Assets	27.8	37.9	+10.1
Total Liabilities	28.8	84.1	+55.3
Total Current Liabilities	27.4	82.3	+54.9
Accounts payable-trade	16.6	23.4	+6.8
Accounts payable-other	2.1	24.6	+22.5
Liabilities related to changeable subcontracting	-	18.9	+18.9
Total Net Assets	89.6	109.9	+20.3
Shareholders' Equity Ratio	75.7%	56.6%	



1. Inventories consist of finished goods and work in process
 2. Regular inventory turnover months = ordinary inventories balance/Cost of Sales in 3-month average

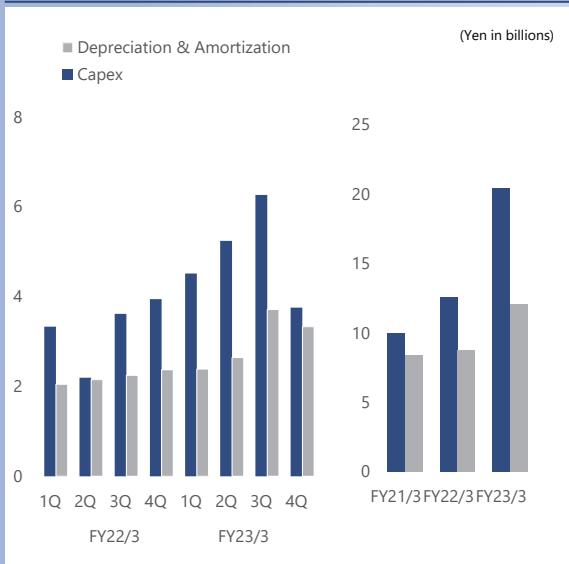
For the balance sheet, total assets were 193.9 billion yen, an increase of 75.5 billion yen, total liabilities were 84.1 billion yen, an increase of 55.3 billion yen, and total net assets were 109.9 billion yen, an increase of 20.3 billion yen, from the end of the previous fiscal year, respectively.

The increase in total assets is due mainly to customer-requested inventories to secure wafers in advance. Since customers cover the cost of such wafers, there is almost no impact on “Cash on Hand and in Banks”. “Cash on hand and in banks” stayed at the same level, as shown in the graph on the top right of this slide. While profit increased, the level of inventories also got higher.

Although dividend and tax payments would be scheduled in FY24/3, we expect our cash balance to increase to 50.0 billion yen.

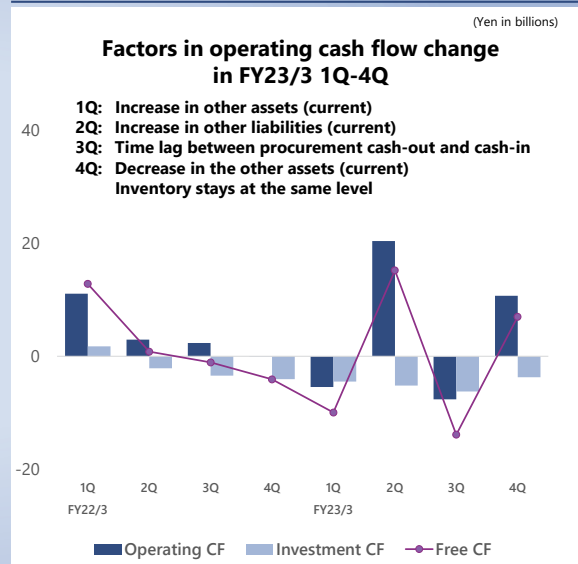
Inventories from the upfront procurement of wafers are expected to peak between 3Q and 4Q of FY 23/3 and return to our normal inventory levels through FY 24/3. Regular inventories will increase with an increase in net sales, but inventory turnover months are expected to be at a less than 3 months level.

Capex¹-Depreciation & Amortization



1, Capex: Purchases of PP&E + purchase of intangible assets

Cash Flow

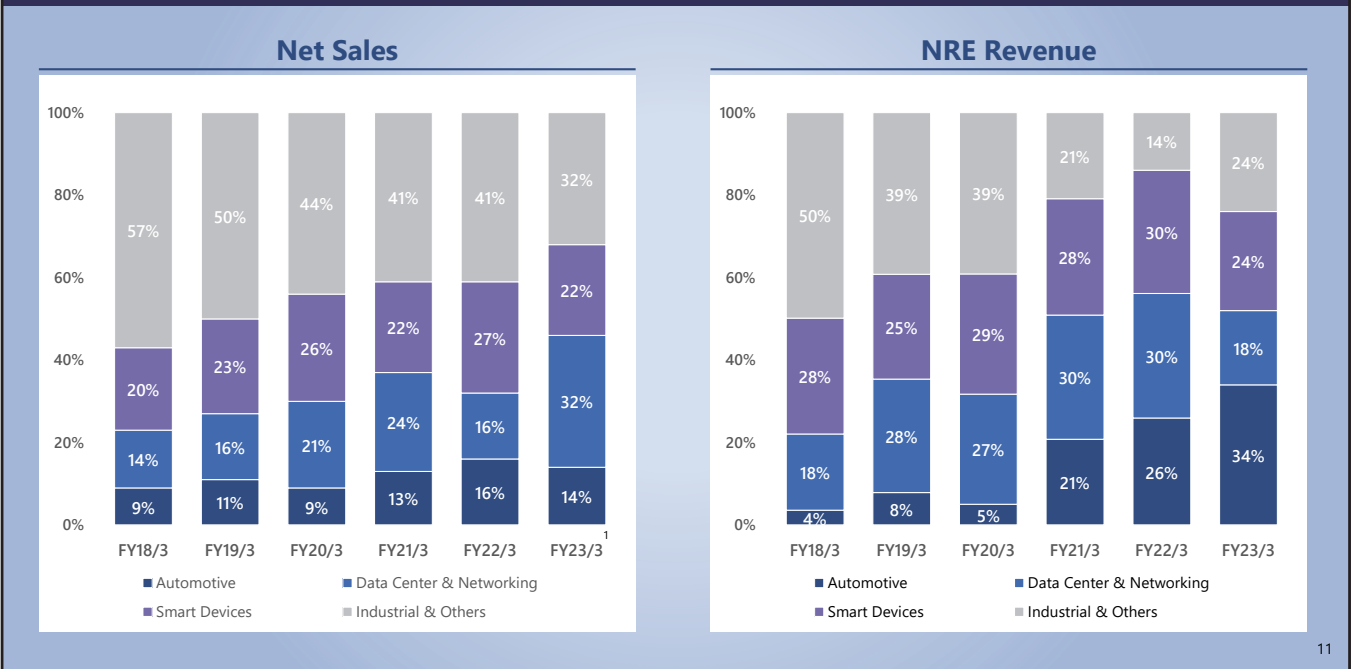


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Capital expenditures in FY23/3 increased especially for IP and reticles for new opportunities of advanced technology products and investments into IT to strengthen our design and development systems. Although the amount of investment would fluctuate from quarter to quarter, it will gradually increase as we expand our business, and depreciation expenses will also increase.

Capital expenditures in the fourth quarter of FY23/3 are down from the previous quarter due to a decrease in IT and IP investments from those recorded in the previous quarter (the third quarter of FY23/3). Depreciation & amortization expenses also decreased from the previous quarter due to the impact of accelerated depreciation and amortization of IP and reticles as a one-time expense in the third quarter.

Free cash flow in the third quarter in FY23/3 was negative because of an increase in working capital with sales growth and an increase in investments. However, free cash flow in the fourth quarter in FY23/3 turned positive as IT and IP investment decreased and operating cash flow recovered.



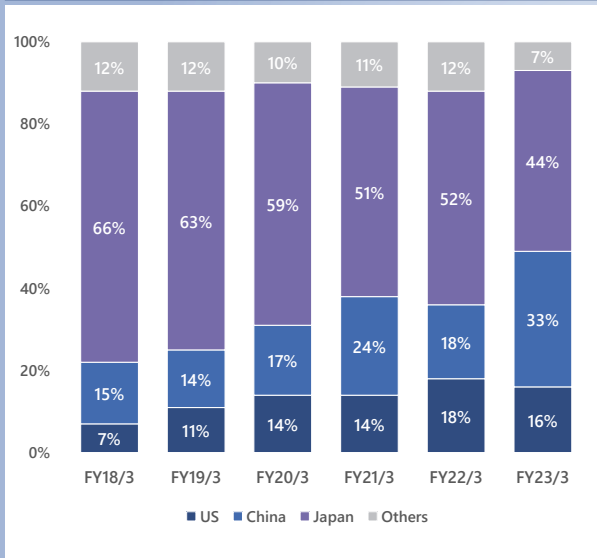
This slide shows the breakdown of historical net sales and NRE revenue from FY18/3.

In FY23/3, while net sales for Automotive and Smart devices increased with the start of mass production for large-scale design wins from FY 20/3, the proportion of Data center & Networking increased.

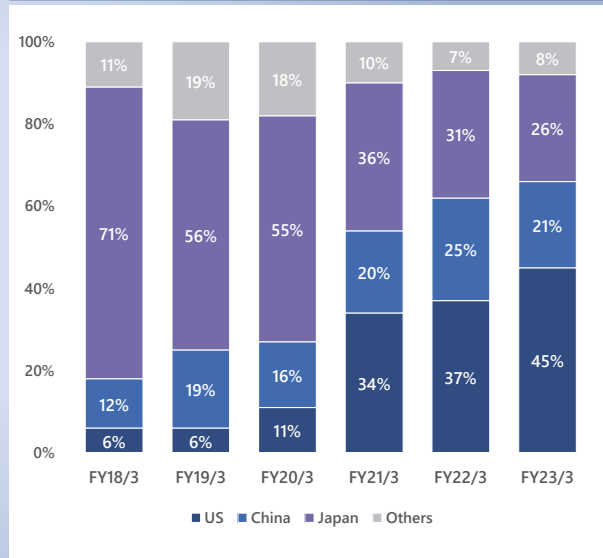
NRE revenue for Automotive performed well and expanded its proportion in NRE revenue. In addition, NRE revenue for Industrial equipment, with advanced technologies, also increased.

Breakdown by Geographic Region¹ (Yearly Ratios)

Net Sales



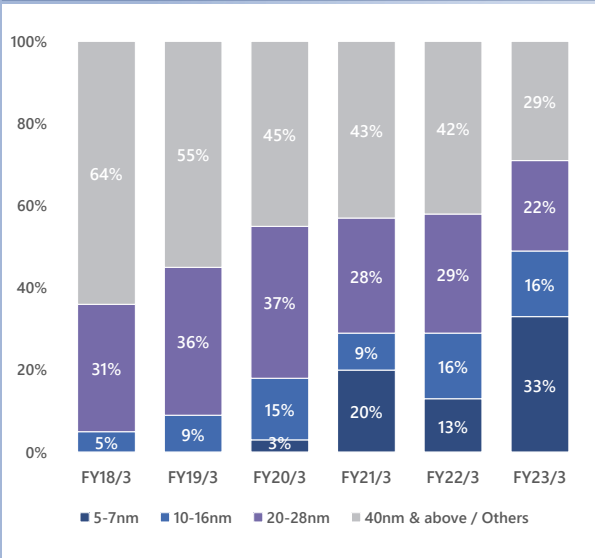
NRE Revenue



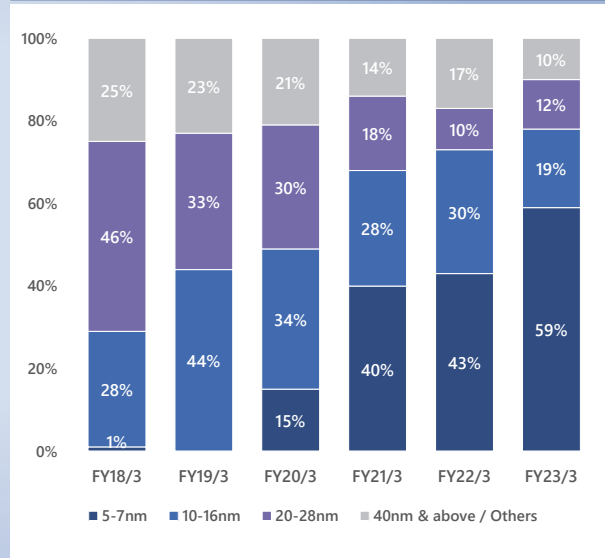
1. "Geographic region" is by each of the regional companies of Socionext

Both net sales and NRE revenue have shifted from Japan to overseas regions such as the United States and China.

Net Sales



NRE Revenue



Both net sales and NRE revenue have shifted to advanced technologies.

(Yen in billions)

	FY2023/3 Full Year Results	FY2024/3 Full Year Forecast as of April 2023	YoY	YoY %
Net Sales	192.8	200.0	7.2	3.8%
Operating Income	21.7	22.5	0.8	3.6%
Margin	11.3%	11.3%	0.0%pt	
Profit	19.8	17.5	-2.3	-11.5%
Margin	10.3%	8.8%	-1.5%pt	
Basic Earnings per Share	587.02yen	519.80yen		
Dividends per Share	210.00yen	210.00yen		
FX Rate (USD/JPY)	135.5yen	115.0yen		

- FX sensitivity: Appreciation or depreciation of 1 yen against USD would have impact of approximately 1.3 billion yen on Net Sales and 0.35 billion yen on Operating Income annually. The exchange rate sensitivity of JPY to other currencies would be minor
- Dividend forecast was 160 yen per share as of September 2022 and 190 yen per share as of January 2023

We estimate our net sales of 200 billion yen, operating income of 22.5 billion yen, and annual dividend of 210 per share.

Our profit is estimated at 17.5 billion yen with an assumption that non-operating income is zero.

The FX rate for our FY24/3 forecast is assumed at 115 yen to the US dollar. Appreciation or depreciation of 1 yen against the US dollar would have an impact of approximately 1.3 billion yen on net sales and 350 million yen on operating income.

Our dividend in FY23/3 was 210 yen, increased by 50 yen per share from forecast announced in September 2022 (160 yen) and 20 yen per share from forecast announced in January 2023 (190 yen).





Revenue forecast

- **Product revenue**
 - **Application Market:**
 - Increase for Automotive, Data Center & Networking and Industrial
 - Slight increase for Consumer, Smart Devices
 - **FY24/3 First and Second Half Fluctuation:**
 - 1H revenue may exceed 2H due to "Special Demand"
 - **Geographical Region:**
 - China: Increase in Automotive, Data Center & Networking
 - US: Slight increase including for consumers
 - Japan: Increase in Smart Devices and Automotive, while consumer products expected to decline
- **NRE revenue**
 - Gradual increase expected in real term, but overall revenue will slightly decrease due to FX impact

Operating Income forecast

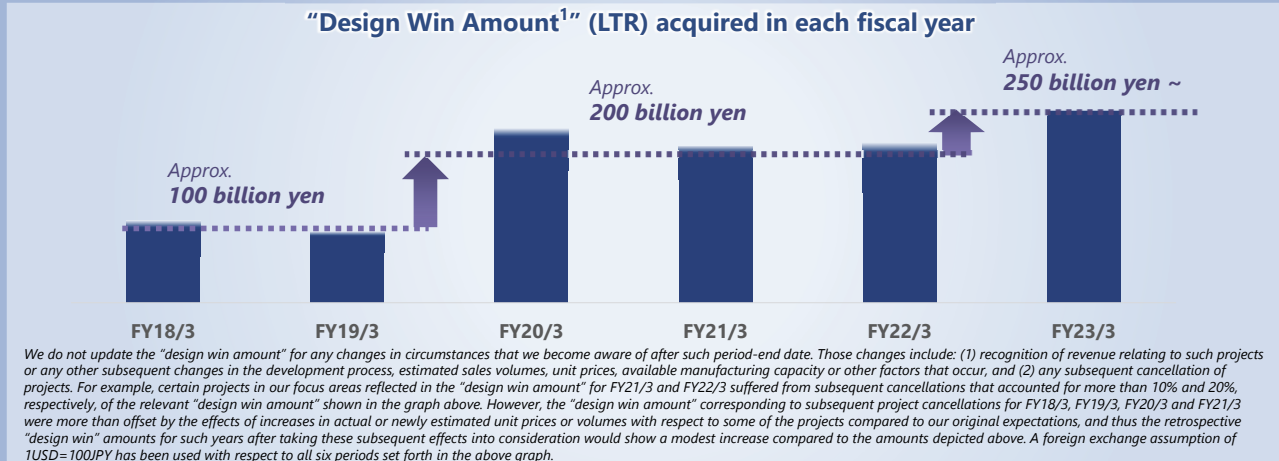
- **Operating Income**
 - **FX rate assumption:** 1USD = 115JPY
 - **FX sensitivity (annual):** 1.3 billion for net sales, 0.35 billion yen for OP, per 1 yen appreciation or depreciation against USD
 - **Product Gross Profit Margin:**
 - Expected to improve slightly due to decrease of advance procurement
 - **Increase in R&D and SG&A:**
 - R&D cost for leading-edge technology products, Depreciation & Amortization
 - IT investment, Overseas selling expense
 - Cost of labor to maintain human resources

Business and market trend

	Automotive	<ul style="list-style-type: none"> ■ Innovation continues for ADAS (Advanced Driver Assistance System) and AD (Autonomous Driving) ■ Demand is active for zone architecture and sensing SoCs
	Data Center & Networking	<ul style="list-style-type: none"> ■ Demand for 5G and cloud service SoCs is in growth trend ■ Acquiring new design wins in the US remains a challenge
	Smart Devices	<ul style="list-style-type: none"> ■ Demand for interchangeable lens cameras is expanding / Action cameras are shifting towards higher image quality and luxury ■ Opportunities with advanced customers are increasing in computer vision and AR markets
	Industrial & Others	<ul style="list-style-type: none"> ■ Opportunities are increasing for large-scale SoCs for FA and measurement equipment, as well as for custom SoCs using RF-CMOS technologies

This slide shows the background of our financial forecasts.

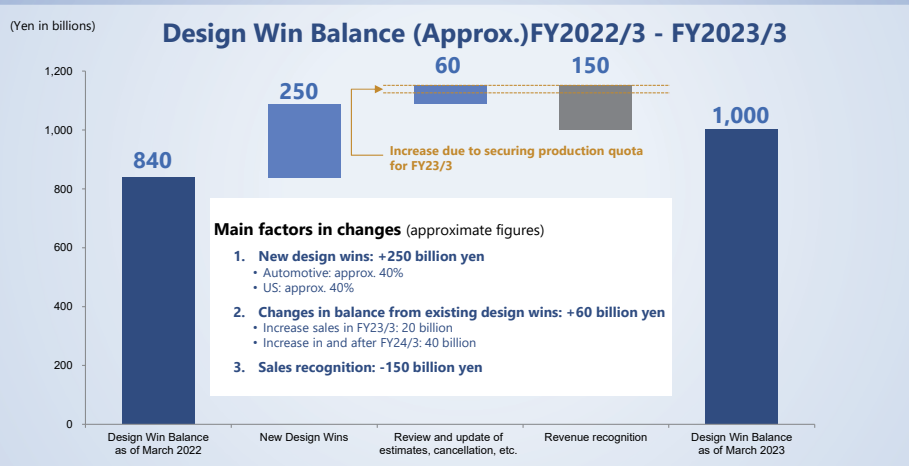
- “Design Win Amount” has approximately doubled through transformation since 2018
- Acquired approximately 250 billion yen in FY23/3, keeping growth trend



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.

The design win amount in FY23/3 was approximately 250 billion yen, which exceeded the average level over the past three years of 200 billion yen. We will target the same level of design win amount in this fiscal year.

- Design Win Balance increased from March 2022 with acquisition of new design wins and increase of amount for products currently in production stage
- Approximately 60% of current Design Win Balance expected to be turned into net sales in FY25/3 to FY28/3



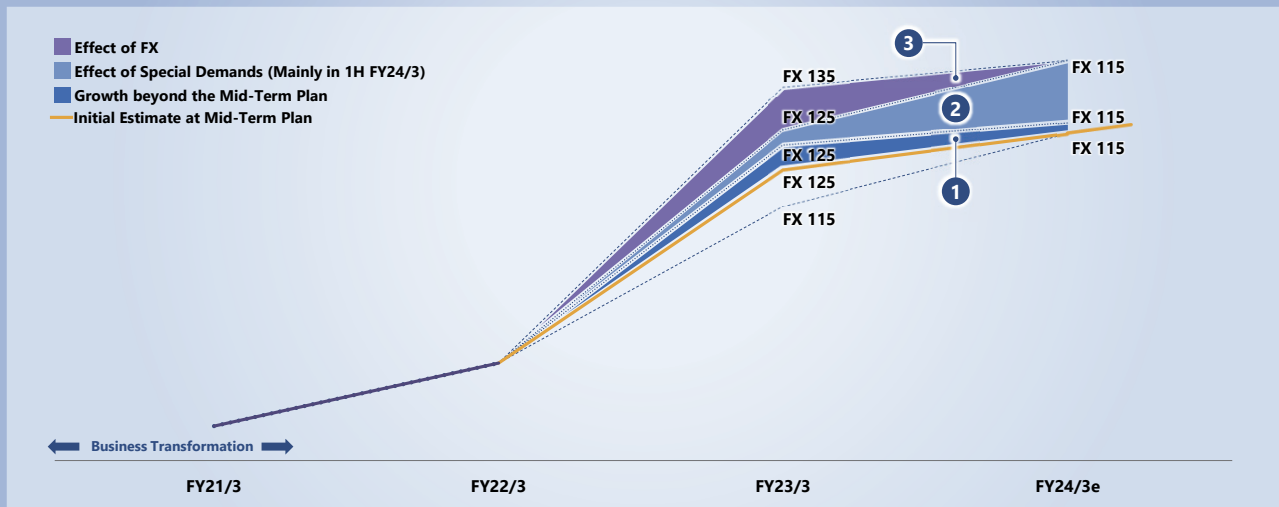
• Design Win Balance is calculated on assumption of 1USD=100JPY
 • "Special Demand" is excluded for the following reasons: (1) Sales are likely to fluctuate (2) It is expected to be recorded as sales mainly in 1H FY24/3 and deducted from the balance (3) Considering the situations including advance wafer procurement by customer request, we considered it is not appropriate to count the amount from Special Demand into Design Win Balance, an index to evaluate and analyze long-term revenue trend
 • Amounts on this slide are rounded to the nearest billion yen
 • Changes in balance from existing design wins include cancellation and review / update of estimates by change of production volume, sales price, etc.
 • Design Win Balance as of June 2022 was 880 billion yen

Design win balance as of March 2022 was 840 billion yen. We have added 250 billion yen of design wins and recognized 150 billion yen as revenue (assuming the FX rate as 100 yen to the US dollar). In addition, the balance was adjusted by reviewing the estimation for the existing projects and reducing amounts due to cancellations. The design win balance was 1 trillion yen as of March 2023.

Of the design win amounts in FY23/3, Automotive accounted for approximately 40% by application, and the United States approximately 40% by region.

Mid-Term Financial Target -Top Line Growth

- Sales growth are driven by product sales from existing design wins and acquiring new design wins
- “Growth beyond the Mid-Term Plan (1)” and “Effect of FX (3)” are expected
- “Effect of Special Demands (2)” also contributes to growth



As the medium-term trend, we estimate the growth of net sales toward our mid-term financial target shown with the orange line.

As for the results of FY23/3 and our estimation of FY24/3;

Circle No. 1 shows the upside of net sales on Automotive, Data center & Networking,

Circle No. 3 shows the effect of FX rate changes, and

Circle No. 2 shows the effect of special demand from Data center & Networking business.

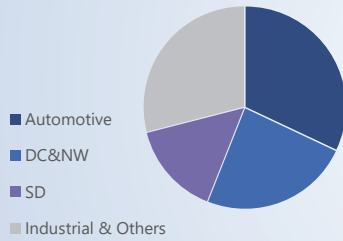
By application market:

- Reflecting the recent strong design wins in automotive market, approx. 30% of Design Win Balance is from "Automotive", 20+% is from "Data Center & Networking", and 10+% is from "Smart Devices"
- Growth in demand for advanced SoCs in the industrial equipment has resulted in "Industrial & Others" accounting for approx. 30%

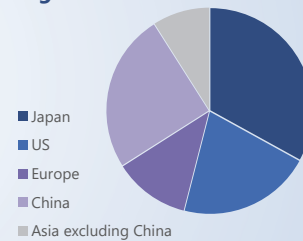
By geographic region:

- Japan continues to account for about one third, but share of US and China increased to about 20% and about one quarter respectively / Europe accounts for about 10%

By application market



By geographic region



By application market: relatively well-balanced increase in Design Win Balance

By region: US and China each saw an increase in Design Win Balance

- Sales from DC&NW and Automotive businesses in China will grow faster than Automotive in US / Share of China continues to expand for now
- In the mid-term, well-balanced sales growth is expected, in line with the composition of Design Win Balance

* Charts on this page excludes amount of "Special Demands"
* "Geographic region" is by each of the regional companies of Socionext

Proportion of design win balance by applications is roughly 30% for Automotive, 20% for Data center & Networking, and 10% for Smart devices as of end of March 2023.

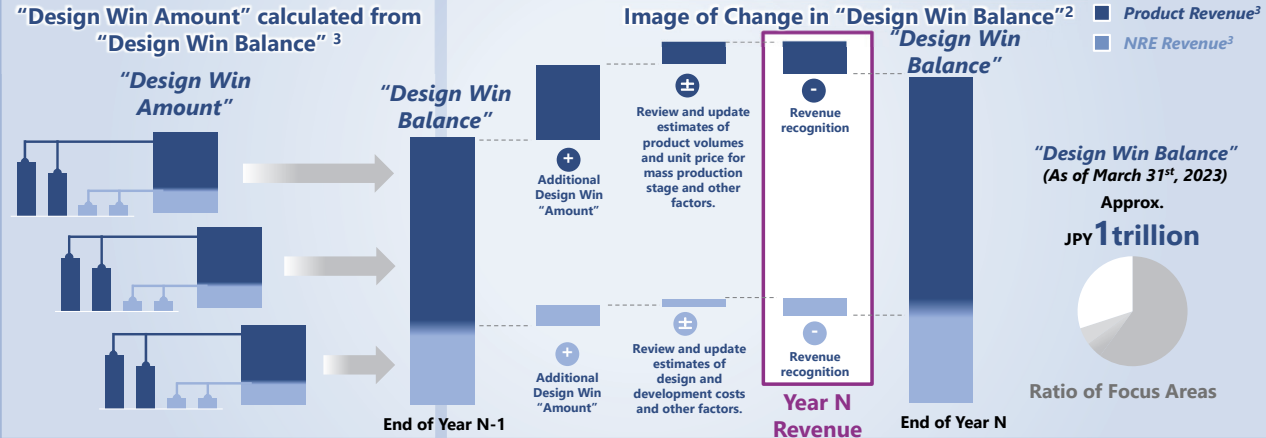
By region, approximately one third is Japan, 20% is the United States, 10% is Europe, and one fourth is China.

We expect a gradual increase in the net sales for Automotive from FY24/3 as more projects move to mass production phase. We expect the expansion of sales in China first, since we see that projects in China usually take shorter time from the start of design to mass production than those in the US. But the proportion of revenue from the United States will gradually increase.

Revenue on industrial equipment is expected to exceed the level assumed before.

Detail of "Design Win Amount" to Revenue Illustrative Description of "Design Win Balance"

"Design Win Balance"¹ . . .
"Design Win Balance" represents the company's estimate of future life-time demand from the outstanding "Design Win Amount" that has been acquired up to a particular date. "Design Win Balance" thus reflects certain subsequent developments after the end of the period in which the applicable design wins were acquired up until the relevant balance date. "Design Win Balance" is regularly managed in accordance with prudent procedures to account for future risks.



1. "Design win balance" represents our estimates of remaining accumulated "design win amount" that is associated with projects that are active as of a particular date. "Design win balance" thus reflects certain subsequent developments after the end of the period in which such design win was acquired up until the relevant balance date, including (1) 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, which could either increase or decrease "design win balance" and (2) any subsequent cancellation of projects. For example, certain projects in our focus areas reflected in the "design win amount" for FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for more than 10% and 20%, respectively, of the relevant "design win amount" shown in the graph above. However, the "design win amount" corresponding to subsequent project cancellations for FY18/3, FY19/3, FY20/3 and FY21/3 were more than offset by the effects of increases in actual or newly estimated unit prices or volumes with respect to some of the projects compared to our original expectations, and thus the retrospective "design win" amounts for such years after taking these subsequent effects into consideration would show a modest increase compared to the amounts depicted above. A foreign exchange assumption of 1USD=100JPY has been used.

2. For illustrative purposes only.

3. Refer to slide 43.

This slide shows how we calculate design win balance, which we consider as one of our important indicators.

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Consolidated Financial Results
for the Fiscal Year Ended March 31, 2023

- *FY23/3 Results*
- *FY24/3 Forecast*

Mid-Term Financial Model



	FY21/3	FY22/3	Mid-Term Target ¹	FY23/3 Results
Net Sales Growth	99.7 billion yen	117.0 billion yen	High teen% CAGR	192.8 billion yen
OP Margin	1.6%	7.2%	Low-to-Mid teen %	11.3%

The mid-term targets presented herein represent our plans and expectations as of September, 2022. These mid-term targets are forward-looking statements, are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results may vary and those variations may be material due to a number of factors. Nothing in this presentation should be regarded as a representation by any person that these targets will be achieved, and the Company undertakes no duty to update these targets as circumstances change.

We aim for total net sales growth of high teen % CAGR, and operating margin of low-to-mid teen, as our mid-term targets. The results for last fiscal year and forecast for this fiscal year suggest that we are on track to meet the targets. We will continue to work on reaching the targets.

- Increase product revenue through accumulated design wins
- Improve profitability with product revenue increase and operating leverage

Roadmap to OP Margin Target

OP Margin (FY22/3) 7.2%				OP Margin (Mid-Term target²) Low-to-Mid teen%
	1 Decline in GP Margin	2 Improvement in R&D / Net Sales Ratio	3 Improvement in SG&A / Net Sales Ratio	
<i>Mechanism</i>	<ul style="list-style-type: none"> ▪ Increase in product revenue ▪ Increase in product revenue ratio¹ ▪ GP margin decreases due to decline in proportion of NRE revenue, but amount of GP will increase 	<ul style="list-style-type: none"> ▪ Increase in product revenue ▪ Improvement in R&D efficiency while total expense increases 	<ul style="list-style-type: none"> ▪ Increase in total net sales 	
<i>Impact on OP Margin</i>				
<i>Progress</i>	<ul style="list-style-type: none"> ▪ In line with expectation along with product revenue increase 	<ul style="list-style-type: none"> ▪ Ratio is steadily getting lower, still room for improvement 	<ul style="list-style-type: none"> ▪ Improving over expectation 	

1. Product revenue ratio is defined as product revenue divided by net sales, which indicates how much portion of net sales comes from sales of products as opposed to NRE revenues
 2. For the mid-term financial targets, please see slides 22

Since net sales increased more than expected in FY23/3, profit also increased due to operating leverage as shown on this slide. We will continue to work on improvement.

- Aim for further growth and development through new and distinctive Solution SoC business model and "Phase 2 Transformation", while maintaining top line growth and solid profitability achieved by "Phase 1 Transformation"

"Phase 1 Transformation"

More design wins by "outside-in change"

- Transformation of business model and focus business area
 - Expand "Design Win Amount" → Expand "Design Win Balance"
 - Expand product revenue
 - Expand profit by operating leverage

Mid-Term Financial Targets

	FY21/3	FY22/3	Mid-Term Target	FY23/3 Results
Net Sales	99.7 billion yen	117.0 billion yen	High teen% CAGR	192.8 billion yen
OP Margin	1.6%	7.2%	Low-to-Mid teen%	11.3%

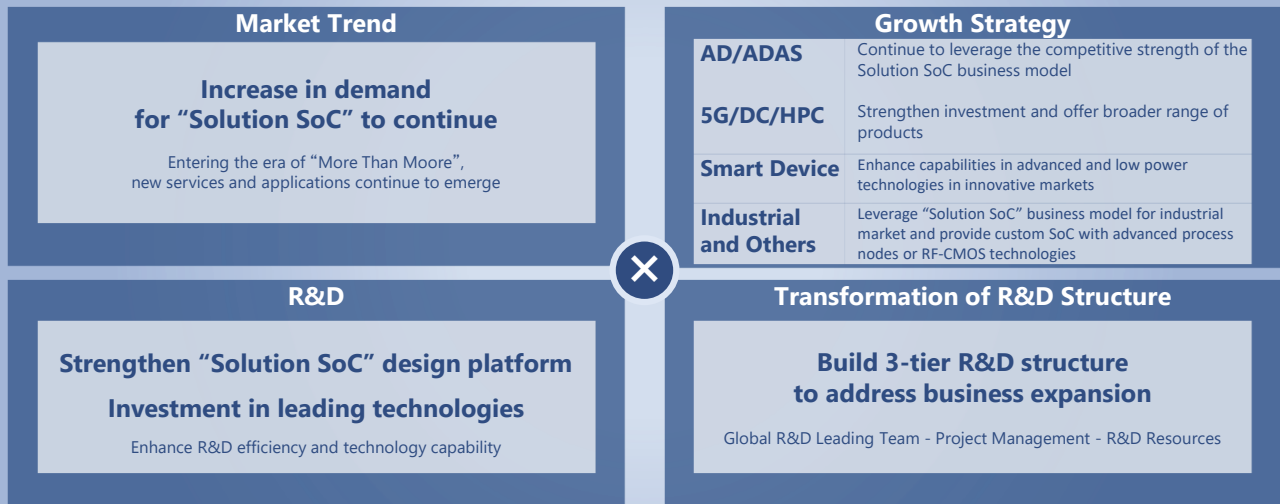
Further Growth and Development through "Phase 2 Transformation"

- Build competitive R&D structure / active investment
- Strengthen ties to SoC ecosystem
- Maintain high level of design win amount

"Aiming for further Growth"

We are aiming to achieve the mid-term target in the first place. To achieve further growth, we will proceed with our "phase 2" transformation which we started in FY23/3.

▪ Beyond the mid-term, Socionext aims to continue acquiring additional design wins in pursuit of further growth



Continue to Acquire New Design Wins

We are aiming to expand business in our focus areas including Automotive, Data center & Networking, Smart devices as well as advanced industrial equipment, where demand for solution SoC is increasing.

To achieve that goal, we are working on our "phase 2" transformation. Initiatives include strengthening of R&D structure to make it better aligned to Solution SoC business model. We are enhancing the engineering resources in each of the three tiers and investing in the leading-edge technologies.

- Subsystem configurations and bus architectures are becoming similar across major applications
- Building a common design platform improves development efficiency and profitability

Design trends

- Common complexity to achieve optimal PPA
- Common concepts across major markets

What Socionext can do

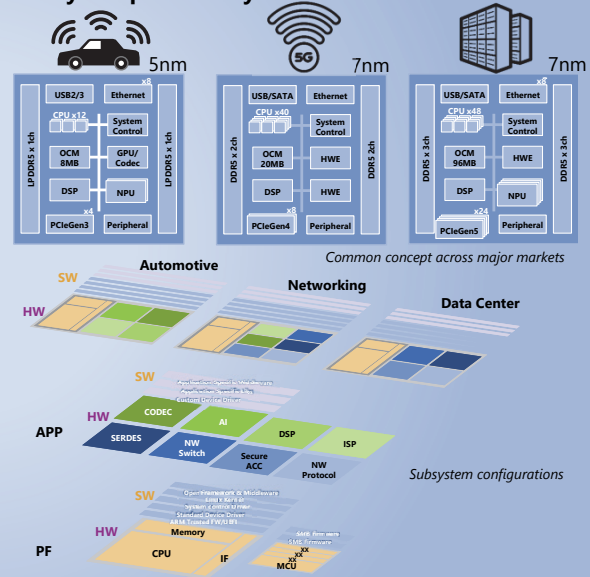
- Move to platform-based design, **based on a computer architecture**
- Keep up with technology evolution while maintaining the existing assets of each functional layers.

- ◆ **Build standard and optimized R&D flow with platform-based approach**
- ◆ **Improve development efficiency and profitability**

Socionext's initiatives

- Build solid development platform including software
- Closer partnership with SoC ecosystem(EDA, IP and other suppliers)
- Actively invest in leading technologies (3nm & beyond, chiplet, AI for design, IP, etc)

- ◆ **Strengthen ties to SoC ecosystem and drive global innovation**



In this slide, let me describe why we chose Automotive, Data Center & Networking and Smart devices as our focus areas.

Subsystem configurations and bus architectures are becoming similar across major applications.

We have been transitioning to a platform-based design approach based on a computer architecture. We plan to continue to stay up-to-date with the evolution of technologies while maintaining the existing assets of each functional layer.

We believe we can improve efficiency and profitability of our design and development, through this platform-based approach. We are transitioning to such platform, and are supporting our customers to establish their software development environment at the early stage of SoC development. We believe this is one of the main advantages of our Solution SoC business model, from our customers' perspective.

We also plan to continue investing in advanced technologies including 3 nm process nodes and beyond, as well as chiplets. Through these investments, we believe we will be able to accelerate our efficiency improvement and the strengthening of our design and development platform. We believe this platform strategy will further enhance our efficiency and profitability of our design and development.

- Rebuilding global R&D structure in line with the change of focus business areas and the business model (Concept-In / Spec-In)
- Reinforcing flexible and scalable "Solution SoC" development platform



This slide shows the transformation of our R&D structure.

We are rebuilding our R&D structure on a global level, with the aim of making the most appropriate organization to conduct our Solution SoC business model.

We have made a major overhaul of our development structure. By introducing a three-tiered organizational structure, we are strengthening our human resources and development team structure in order to address the business expansion.

With the second phase of our transformation, we are preparing for the further growth in the mid-term and beyond.

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Appendix:

Overview

- *Socionext at a Glance*
- *Solution SoC Business Model*
- *Transformation*
- *Market*



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

Company Overview

History

Started business in 2015 2018

Business Description Fabless Custom SoCs	Capital 30.2 billion yen	Employees¹ As of March 2023 Global Employees 2,526 Engineers ² 1,900 (Approx.)
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Key Financials FY23/3

Net Sales 192.8 billion yen	Net Sales Growth (YoY) 64.7%	OP Margin 11.3%
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Business Overview (Ratio is NRE revenue breakdown for FY23/3)

Business model Solution SoC (Optimal Custom SoC)	Application Market 76% "Automotive" "Data Center & Networking" "Smart Devices"	Process Node 19% 59% 10-16nm 5-7nm
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~Socionext's Positioning in Semiconductor Market~

Types of Custom SoC(ASIC) Business Models

- > Automotive, Data Center & Networking and Smart Devices are main focus areas
- > New and distinctive business model
- > Provides cutting-edge custom chips for innovative customers

Three business models

- Traditional ASIC
- Solution SoC** (New and distinctive business model)
- ASIC designed by ASSP vendor

1. Numbers of employees and engineers are on a consolidated basis
 2. Number of staff working in divisions relating to technical development and analysis in and outside Japan
 3. Estimated by Socionext based on Data by Omdia

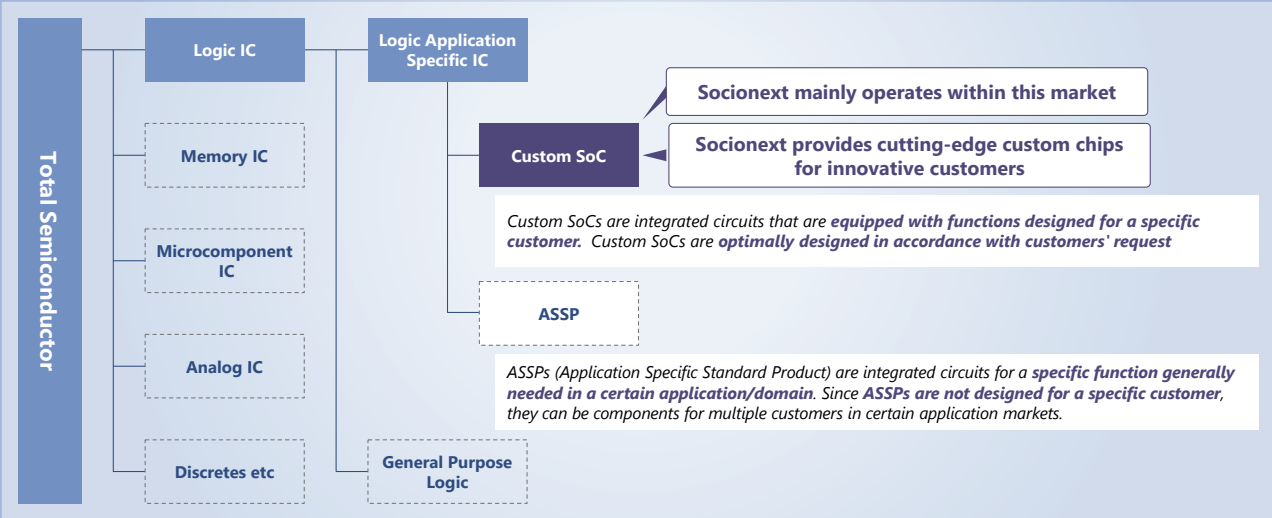
Let me revisit the overview of the company.

As I have been discussing, our market areas of focus include Automotive, Data Center & Networking and Smart Devices, where we believe the solid growth is expected.

We believe that our new and distinctive "Solution SoC" business model has a better competitive edge, and is gaining more support from advanced and innovative customers who are not satisfied with traditional ASICs or custom SoCs provided by ASSP vendors.

Detail of Custom SoC and ASSP

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

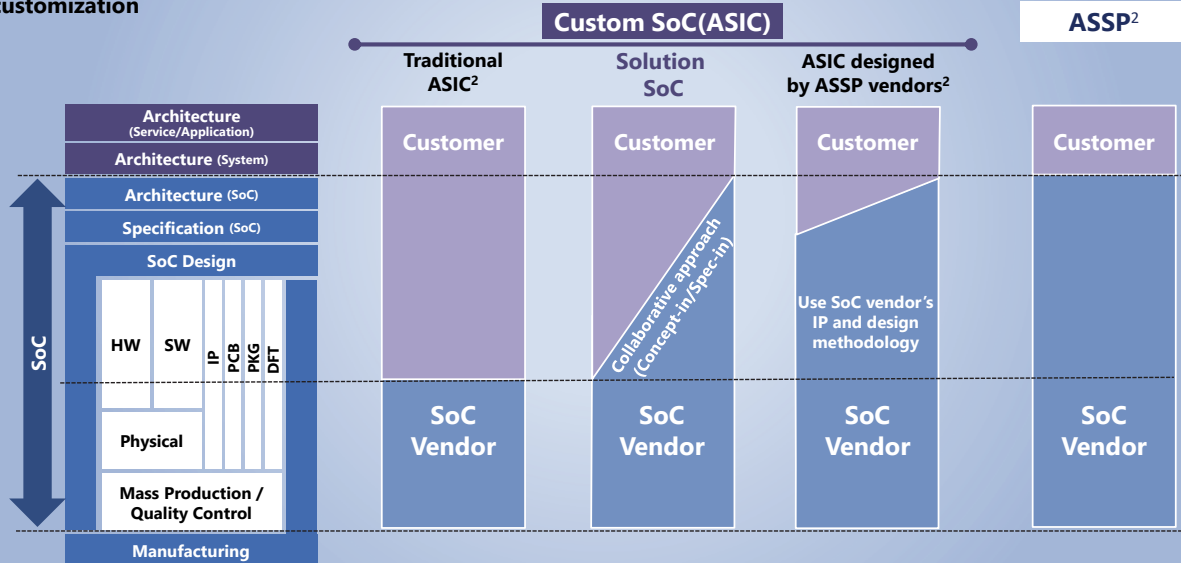


This slide shows where custom SoCs and ASSPs are positioned in the larger semiconductor market.

We operate mainly in the custom SoC market, where an SoC is designed for a specific customer. Those who are not satisfied with ASSPs would use custom SoCs.

ASSPs are similar to custom SoCs in the sense that they are designed for a specific application. However, ASSPs are utilized by multiple users and are not designed to meet the specific needs or requirements of a particular customer.

- The primary difference between “traditional ASIC”² and “Solution SoC” is how to interface with 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 the company's recognition.
 2. This graphic provides an illustrative framework of the types of industry players based on the company's classifications.

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

With the Solution SoC business model, we work with customers from the upstream stage of SoC development and define the SoC architecture and specifications.

We call this design and develop method a “collaborative design approach”.

The primary difference between traditional ASIC and the Solution SoC is how to interface with customers.

Traditional ASIC vendors simply receive the specifications from customers and conduct physical design. Customers need to have their own capabilities and resources for the upstream design.

On the other hand, Socionext can provide custom SoCs through its collaborative approach to wider range of customers including emerging companies who cannot perform, or do not have enough resources to perform upstream SoC design.

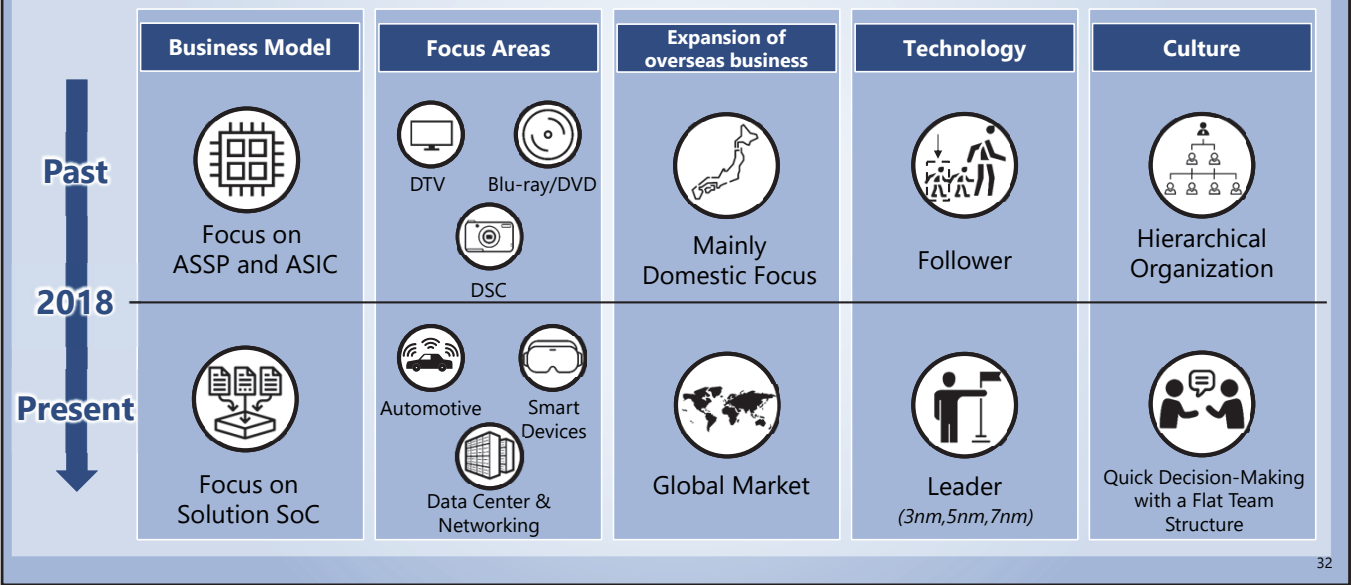
I would also like to note that we can provide optimized custom SoCs based on the deep understanding of both the customers’ software and hardware.

The primary difference between custom SoCs designed by ASSP vendors and the Solution SoC is the breadth of customization.

ASSP vendors are generally restricted to use their own ASSP platform, IP and design methodology. Due to such restrictions, we believe that these vendors are limited to “modification” rather than “optimization.”, and unable to provide SoCs that fully meet the customers’ needs and requirements.

Transformation into a Global Custom SoC Vendor in Advanced Technology Area

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



This slide shows how we went through our transformation.

In 2018, I took over as the CEO and implemented a transition from ASSP and traditional ASIC businesses to a new and distinctive "Solution SoC" business model.

The Image of Timeline from Design Win to Mass Production Illustrative Description of "Design Win Amount"

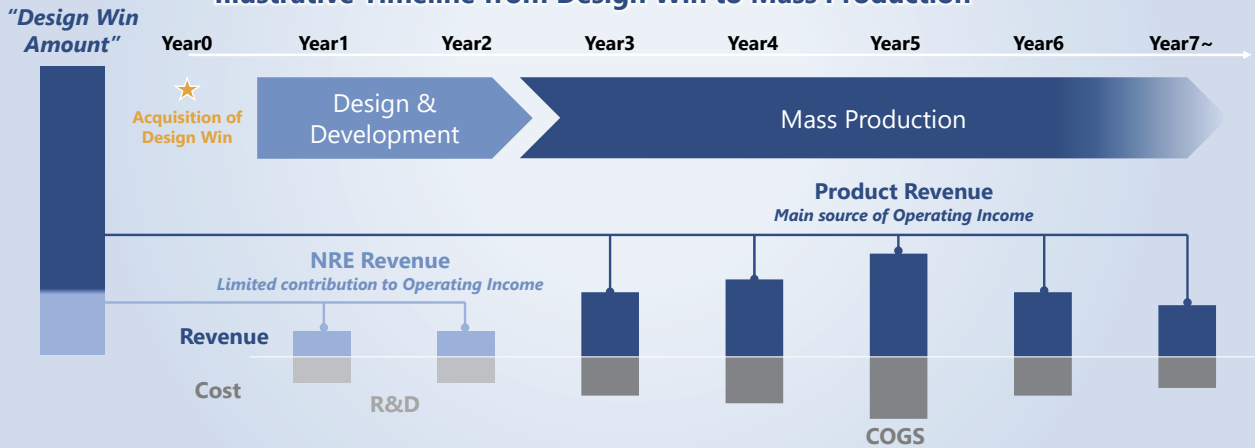
"Design Win Amount"¹ . . .

"Design Win Amount" represents 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.

"Design Win Amount" is calculated in accordance with prudent procedures as below

- Each "Design Win Amount" is estimated based on assumptions such as per-unit prices and estimated future product sales volumes, not on sales forecasts provided by customers¹
- A foreign exchange assumption of 1USD=100JPY has been used

Illustrative Timeline from Design Win to Mass Production²



1. Refer to slide 43

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 a general timeline from a design win to mass production.

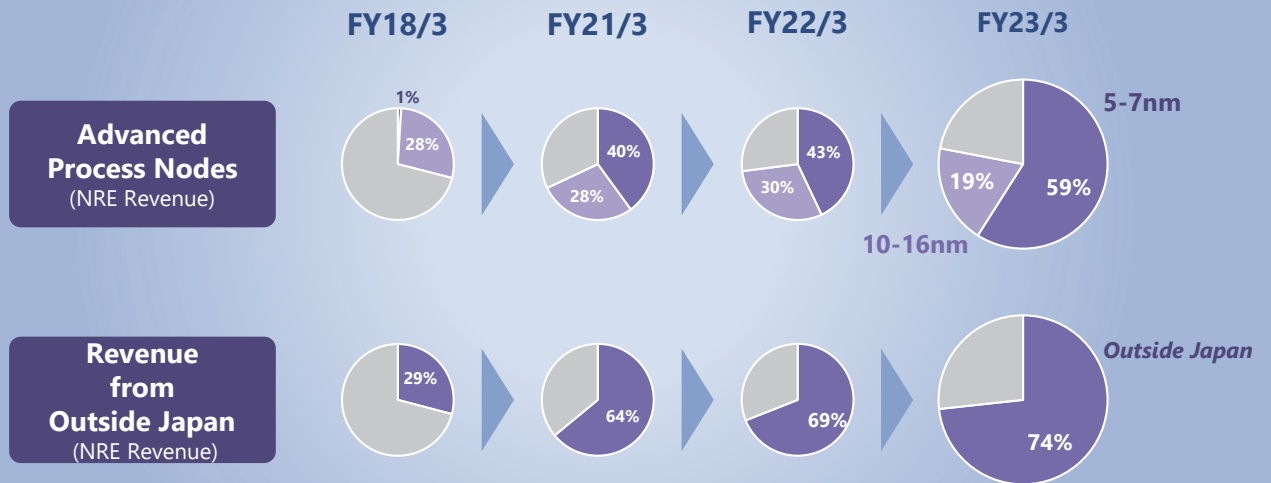
Our typical business flow is to acquire a design win first, which leads to NRE revenue during the design and development stage, followed by the mass production stage where we generate product revenue.

"Design win amount" represents our estimate of the lifetime demand from a project for which we acquired the design win, at the time when we enter into the contract.

Please note that we estimate Design Win Amount based on various assumptions.

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 the figures of our NRE revenues.

You can see the increase in NRE revenue from projects with advanced process nodes and from customers outside of Japan, indicating the company’s transformation into a global and leading SoC vendor.

- With the exception of Apple, Socionext has the 2nd largest market share of 10% within the Custom SoC(ASIC)¹ market, where some players can design 7nm/5nm SoCs.

Custom SoC(ASIC)¹ Market Share² (2022)

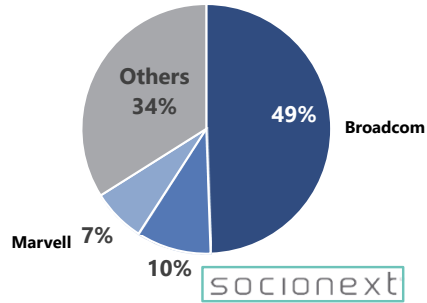
Market Share



These Market Data are estimated by Socionext based on Omdia data

Market Share Excluding Apple

Market Size **\$12 billion**



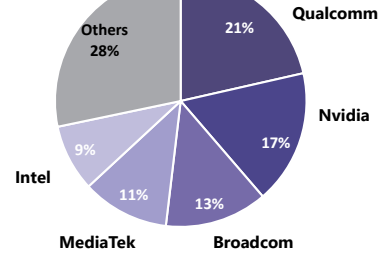
The market data above does not include certain traditional ASIC vendors in Taiwan such as GUC, Alchip and Faraday due to the lack of third-party statistical data.

ASSP¹ Market Share² (2022)

Market Share

Market Size³
\$121 billion

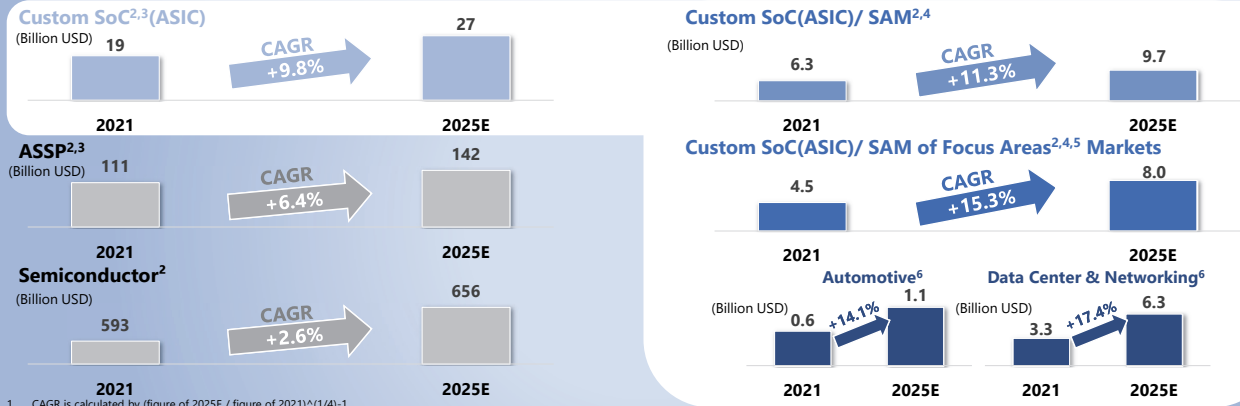
Market CAGR³
(2021-2025E)
6.4%



1. We define "ASSP" as the "Logic ASSP" segment based on Omdia "Application Market Forecast Tool-1Q 2023" classification and "Custom SoC(ASIC)" as "Logic ASIC" based on Omdia "Application Market Forecast Tool-1Q 2023". Omdia's classifications of the markets may differ in certain respects from our target markets. Classification are based on the company's recognition.
 2. These market data are estimated by Socionext based on Omdia data "Competitive Landscaping Tool CLT, Annual-4Q22". All market sizes are calculated in terms of USD-based revenue.
 3. Calculated by Socionext based on Socionext internal information and Omdia "Application Market Forecast Tool-1Q 2023". Market CAGR(2021-2025E) is calculated (figure of 2025E / figure of 2021)^(1/4)-1

In the Custom SoC market, Socionext is the second largest player if you exclude Apple, who develops custom SoCs only for its own products.

- Total global market size of focus areas is expected to grow at 15.3% CAGR¹, higher than that of custom SoC (ASIC)
- Automotive custom³ SoC(ASIC) market is expected to grow at 14.1% CAGR¹



1. CAGR is calculated by (figure of 2025E / figure of 2021)^{1/4}-1

2. Calculated by Socionext based on Omdia "Application Market Forecast Tool-1Q 2023". These figures are our estimate of the market size for ASIC, ASSP and semiconductor markets and are not intended as an objective indicator of the size of the market for our current businesses model. Our estimates of the each Serviceable Available Market (SAM) and Our 3 Focus Markets are based on certain assumptions and were calculated using statistical data and publications from external sources as indicated herein. Actual market size may differ from these estimates due to the limitations peculiar to such statistical data and publications in terms of their accuracy

3. We define "ASSP" as the "Logic ASSP" segment based on Omdia's "Application Market Forecast Tool-1Q 2023"'s classification and "Custom SoC(ASIC)" as "Logic ASIC" based on Omdia's classification. Omdia's classifications may differ in certain respects from our target

4. SAM are "Data Center Servers", "Solid-State Drives", "Other Peripherals", "Enterprise Ethernet Switches & Routers", "Carrier Ethernet Switches & Routers", "Optical Equipment", "Broadcast & Streaming Video", "Data Center Networking", "M2M Modules", "Mobile Comm Infrastructure", "Other Consumer Electronics", "Other Wireless Communications", "LCD TV", "OLED TV", "Set-Top Boxes", "Connectivity & Telematics", "Infotainment & Cluster", "ADAS", "Chassis & Safety", "Medical Electronics", "Automation", and "Test & Measurement", "Security & Video Surveillance"

5. Our focus areas are (a) Automotive, (b) Data Center & Networking and (c) Smart Devices. SAM of Focus Areas' Market are "Data Center Servers", "Solid-State Drives", "Enterprise Ethernet Switches & Routers", "Carrier Ethernet Switches & Routers", "Optical Equipment", "Broadcast & Streaming Video", "Data Center Networking", "Mobile Comm Infrastructure", "Other Consumer Electronics", "Connectivity & Telematics", "Infotainment & Cluster", "ADAS" and "Chassis & Safety", "Security & Video Surveillance"

6. SAM of Automotive are "Connectivity & Telematics", "Infotainment & Cluster", "ADAS" and "Chassis & Safety" in Automotive Electronics Categories. SAM of Data Center and Networking are "Data Center Servers", "Solid-State Drives", "Enterprise Ethernet Switches & Routers", "Carrier Ethernet Switches & Routers", "Optical Equipment", "Broadcast & Streaming Video", "Data Center Networking", "Mobile Comm Infrastructure"

This slide illustrates the compound average growth rate of our target markets.

According to Omdia, the market for custom SoCs is expected to grow at a 9.8% CAGR from 2021 to 2025, and our SAM and focus market areas are expected to grow faster than the total custom SoC market.

The CAGR of SAM for our three focus markets is 15.3%. Out of this, Data Center & Networking is expected to grow at 17.4% while Automotive is expected to grow at 14.1%

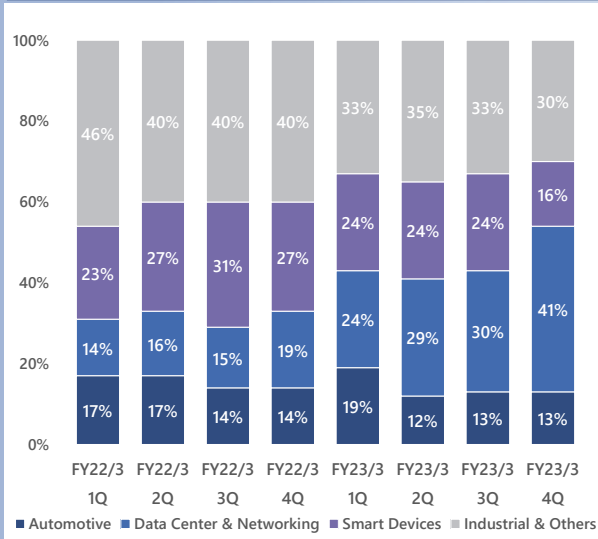
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Appendix:

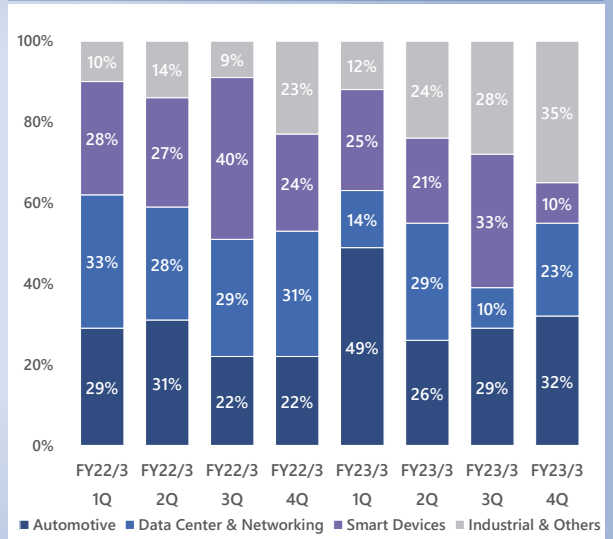
Breakdown of Net Sales and Operating Income
(Quarterly Ratios)



Net Sales

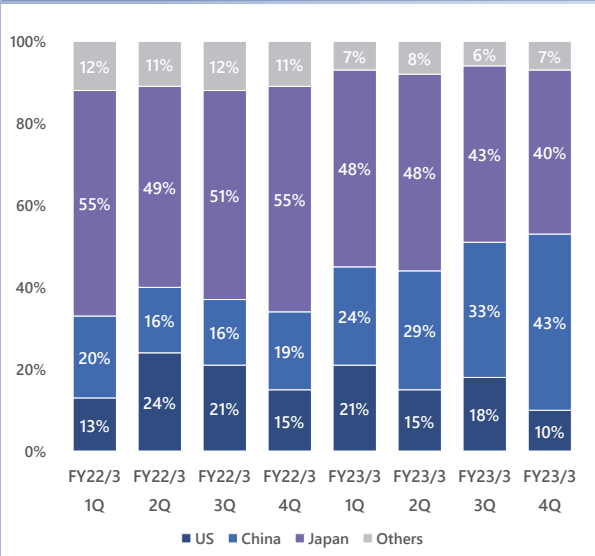


NRE Revenue

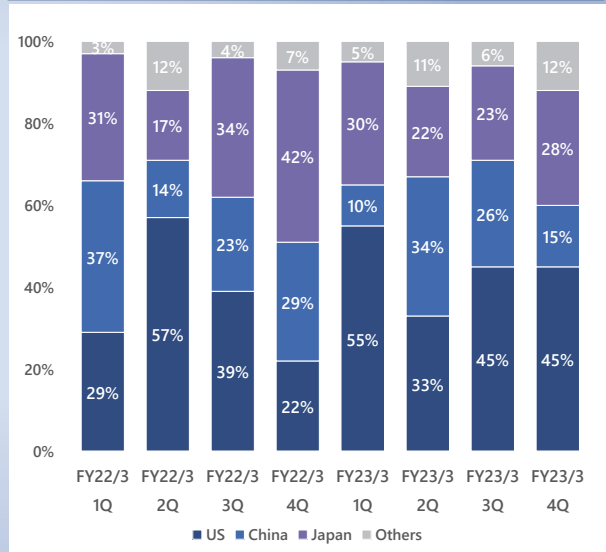


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

Net Sales

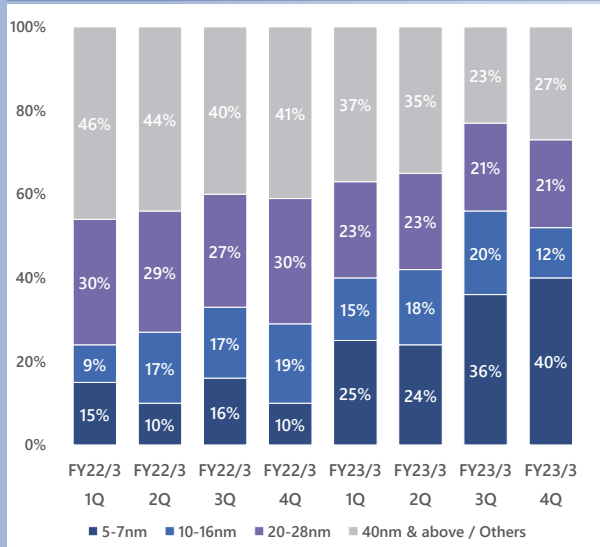


NRE Revenue

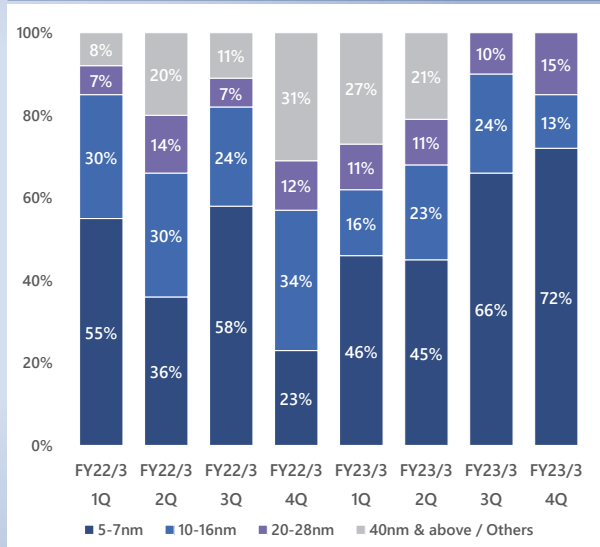


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

Net Sales



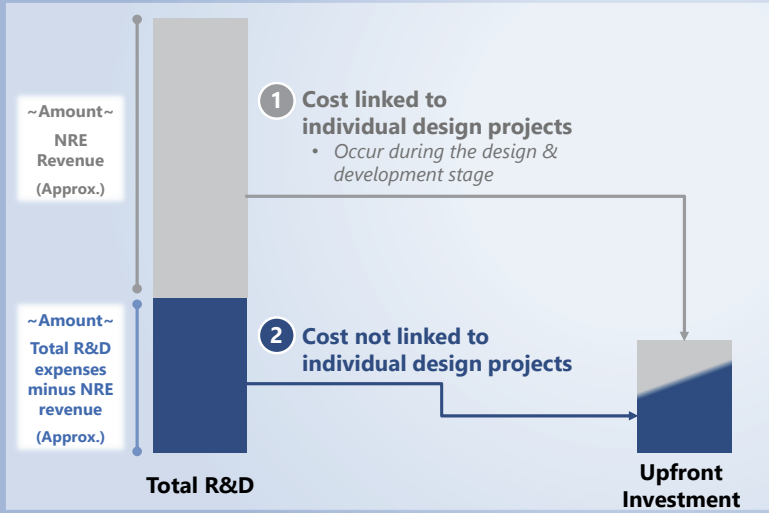
NRE Revenue



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.

- Aiming to increase upfront investment gradually under "Sufficient & Efficient investment" policy (upfront investment accounts for the larger part of ② R&D not linked to individual design projects)

Image of Socionext's R&D Structure



Upfront investment

- Meet customer requests and acquire new design wins
- Strengthen skills of integration and efficiency
- 3nm & beyond, chiplet, AI for design, IP, etc

* This slide is an image based on the company's recognition

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Cautionary Note Regarding “Design Win Amount” and “Design Win Balance”

The calculation of “Design Win Amount” and “Design Win Balance” 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 “Design Win Balance” 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 42 of this presentation regarding certain risks associated with forward-looking statements.

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