

socionext™

3Q FY2024/3

# Consolidated Financial Results

January 30, 2024  
Socionext Inc.

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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. In connection with analyzing our net sales and determining our design win balance, we take into account whether any customer demand constitutes “special demand,” a term we use to refer to short-term customer demand resulting from stockpiling and other activities that do not reflect current underlying demand. We determine whether any given demand is special demand on a case-by-case basis at our own discretion based on our assessment of a variety of factors related to the demand in question. As a result, amounts that we identify as special demand may not be objectively accurate in light of such definition of “special demand.” We believe that it is appropriate to exclude such short-term “special demand” amounts from our design win balance because the design win balance is intended to serve as an index to evaluate and analyze our long-term revenue trends. In terms of our net sales, net sales that are attributable to “special demand” should be viewed as short-term inflated demand that may be front-loading longer-term demand, and thus such sales should be appropriately deemphasized when analyzing historical and future trends in our results of operations. While “Design Win Balance” is not impacted by the occurrence or the amount of “special demand,” it can fluctuate by reflecting changes in assumptions for forecasts of demands except for “special demand.” 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 2 of this presentation regarding certain risks associated with forward-looking statements.

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**Consolidated Financial Results  
for the 9 Months Ended December 31, 2023**

- *Actual Consolidated Financial Results 3Q FY24/3*
- *Consolidated Earnings Forecast*



(Yen in billions)

	FY23/3				FY24/3			YoY	YoY %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q		
<b>Net Sales</b>	<b>39.9</b>	<b>42.8</b>	<b>56.1</b>	<b>53.9</b>	<b>61.4</b>	<b>55.5</b>	<b>52.7</b>	<b>-3.4</b>	<b>-6.1%</b>
Product Revenue	31.0	35.3	43.9	46.5	52.9	48.5	40.5	-3.4	-7.7%
NRE Revenue	8.7	7.4	11.5	7.3	8.4	6.8	11.9	0.4	3.2%
Others	0.2	0.2	0.6	0.2	0.1	0.2	0.2	-0.4	-61.8%
<b>Cost of Sales</b>	<b>19.9</b>	<b>22.1</b>	<b>31.8</b>	<b>30.2</b>	<b>34.5</b>	<b>28.2</b>	<b>24.6</b>	<b>-7.2</b>	<b>-22.6%</b>
<b>Selling, General and Administrative Expenses</b>	<b>14.5</b>	<b>15.9</b>	<b>18.0</b>	<b>18.8</b>	<b>16.8</b>	<b>18.7</b>	<b>18.8</b>	<b>0.8</b>	<b>4.3%</b>
R&D	10.6	11.5	13.4	13.8	12.2	12.5	13.6	0.2	1.5%
SG&A (excl. R&D)	3.9	4.4	4.6	5.0	4.7	6.3	5.1	0.6	12.4%
<b>Operating Income</b>	<b>5.6</b>	<b>4.9</b>	<b>6.3</b>	<b>5.0</b>	<b>10.1</b>	<b>8.6</b>	<b>9.3</b>	<b>3.0</b>	<b>47.3%</b>
Margin	14.0%	11.4%	11.2%	9.2%	16.5%	15.4%	17.6%	+6.4%pt	
<b>Profit*</b>	<b>5.1</b>	<b>5.0</b>	<b>5.2</b>	<b>4.5</b>	<b>8.0</b>	<b>7.3</b>	<b>5.0</b>	<b>-0.2</b>	<b>-4.3%</b>
Margin	12.7%	11.6%	9.3%	8.4%	12.9%	13.2%	9.5%	+0.2%pt	
<b>FX Rate (USD/JPY)</b>	<b>129.6</b>	<b>138.4</b>	<b>141.6</b>	<b>132.3</b>	<b>137.4</b>	<b>144.6</b>	<b>147.9</b>		

\* In calculating the amount of tax credit in the R&D Tax Credit System, in light of the guidance by the tax authorities, the possibility that the amount of tax credit will decrease has been taken into consideration and reflected into the amount of the corporation tax in the 3Q financial results.

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In this and following slides I will talk about financial results for the third quarter of fiscal year ending March 2024 (FY24/3).

Net sales were 52.7 billion yen, a decrease of 6.1% from the same quarter of the previous fiscal year.

Operating income was 9.3 billion yen, an increase of 47.3% from the same quarter of the previous fiscal year.

Profit had initially been estimated approximately 77% of the profit before Tax.

We received a guidance from the tax authority regarding the calculation method of the tax credit amount for research and development expenses under the Act on Special Measures Concerning Taxation (commonly known as the R&D Tax Credit system). In light of the guidance, the possibility that the amount of tax credit will decrease has been taken into consideration and reflected into the amount of the corporation tax in the third quarter financial results.

While it has not been confirmed, it is expected that the amount of corporation tax will increase due to the reduction in the tax credit, and it is possible that Profit to Profit-before-Tax ratio of approximately 77% as initially estimated would decrease to approximately 70%.

Therefore, we have factored in approximately 2 billion yen to the third quarter results, as the increase in corporation tax from the first to the third quarter.

We anticipate that the Profit to Profit-before-Tax ratio for the next fiscal year on will be between 77%, initial estimate, and 70%, this year's forecast.

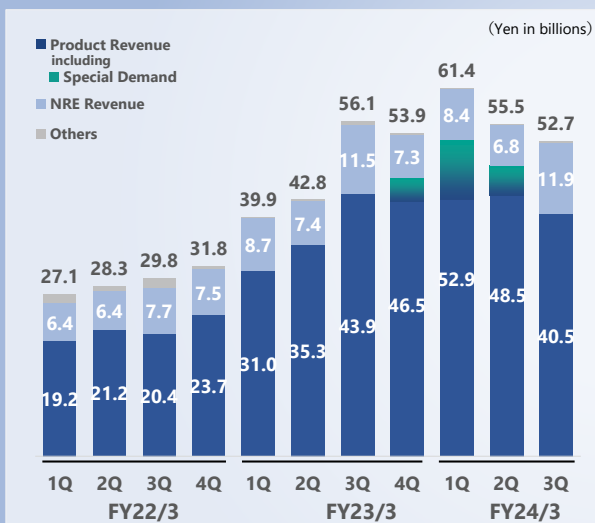
(Yen in billions)

	FY23/3	FY24/3		
	YT3Q	YT3Q	YoY	YoY %
<b>Net Sales</b>	<b>138.8</b>	<b>169.6</b>	<b>30.8</b>	<b>22.2%</b>
Product Revenue	110.2	142.0	31.7	28.8%
NRE Revenue	27.6	27.1	-0.5	-1.8%
Others	1.0	0.6	-0.4	-41.7%
<b>Cost of Sales</b>	<b>73.8</b>	<b>87.4</b>	<b>13.6</b>	<b>18.5%</b>
<b>Selling, General and Administrative Expenses</b>	<b>48.3</b>	<b>54.3</b>	<b>6.0</b>	<b>12.4%</b>
R&D	35.5	38.3	2.7	7.7%
SG&A (excl. R&D)	12.8	16.1	3.2	25.3%
<b>Operating Income</b>	<b>16.7</b>	<b>27.9</b>	<b>11.2</b>	<b>66.8%</b>
Margin	12.1%	16.5%	+4.4%pt	
<b>Profit</b>	<b>15.2</b>	<b>20.3</b>	<b>5.1</b>	<b>33.1%</b>
Margin	11.0%	12.0%	+1.0%pt	
<b>FX Rate (USD/JPY)</b>	<b>136.5</b>	<b>143.3</b>		

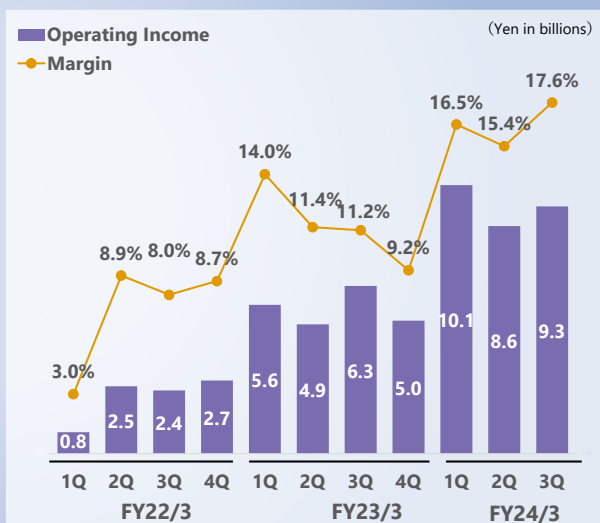
This slide shows the cumulative performance from the first quarter up to the third quarter.

Net sales were 169.6 billion yen, an increase of 22.2% from the same period of the previous fiscal year. Operating income was 27.9 billion yen, an increase of 66.8% from the same period of the previous fiscal year.

Net Sales<sup>1</sup>



Operating Income<sup>1</sup>

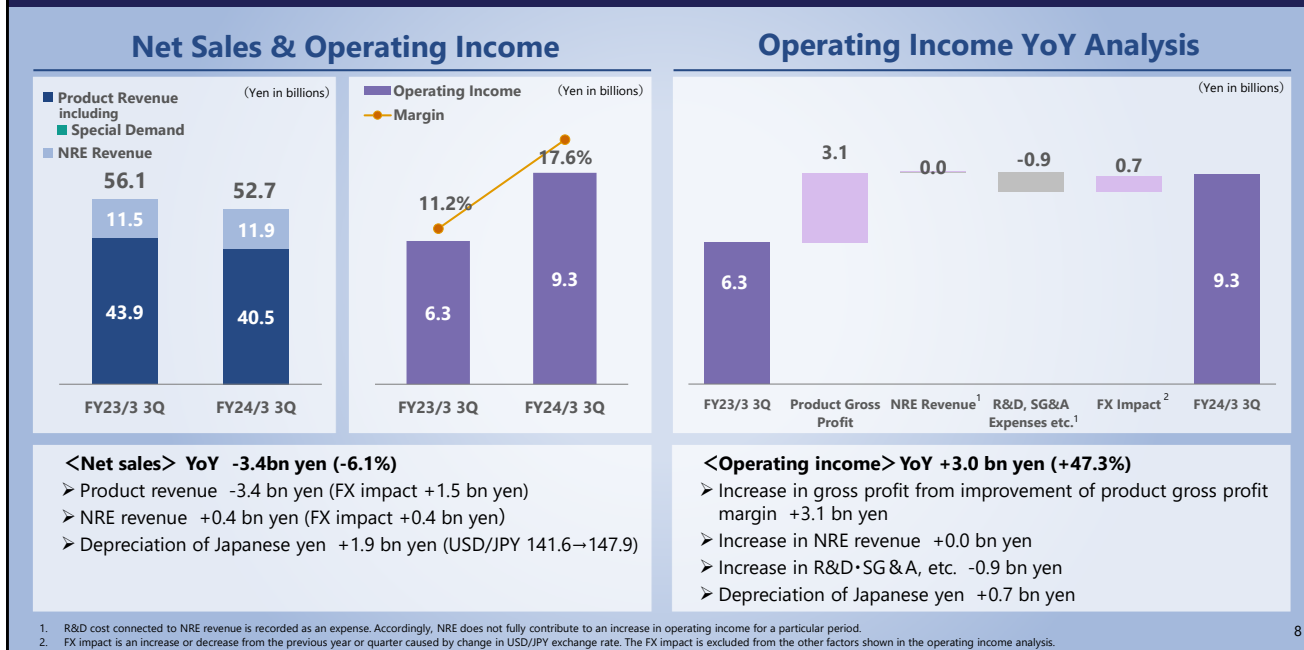


1. The quarterly figures are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.  
 2. Quarterly financial results of FY 22/3 are unaudited and unreviewed by external auditors.

This slide shows our historical net sales and operating income from the first quarter in FY22/3 to the third quarter in FY24/3.

While the net sales decreased due to the end of "Special Demand", we recorded certain level of sales because of the start of mass productions of large-scale projects, for which we acquired design wins in FY20/3 and thereafter.

NRE revenue is a deliverable from the design and development activities, and fluctuates from quarter to quarter. However, it maintained upward trend on an annual basis due to large-scale design wins in the advanced technology areas.



This slide shows the analysis of net sales and operating Income for the third quarter in FY24/3 compared with the same quarter in the previous fiscal year.

Net sales were 52.7 billion yen, a decrease of 3.4 billion yen (-6.1%) from the same quarter in the previous fiscal year.

Product sales declined due to weak demand for office equipment and consumer products in Japan.

NRE revenue remains strong thanks to booming business opportunities in advanced technology areas and steady progress in design and development.

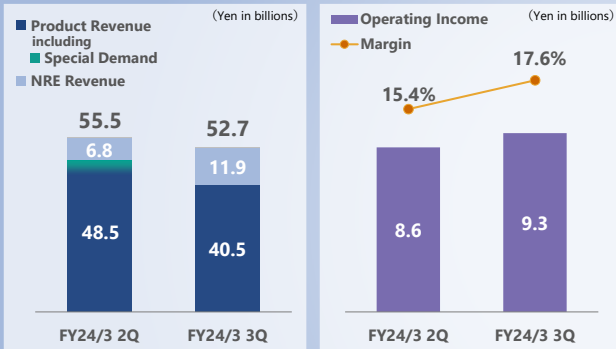
Operating income was 9.3 billion yen, an increase of 3.0 billion yen (+47.3%) from the same quarter in the previous fiscal year.

Operating income increased despite the decline in net sales thanks to an increase in product gross profit. Factors for the increase include elimination of temporary expense (3 billion yen) associated with the customer-requested advance procurement of wafers, and an improvement in the product gross margin due to the indirect effect of FX as a result of decrease in purchases (products and wafers).

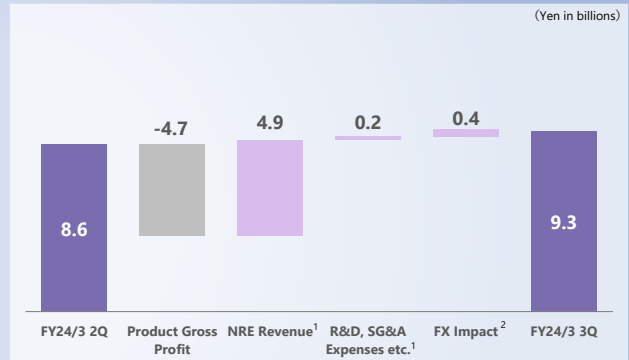
Operating income decreased by 900 million yen due to an increase in R&D and other SG&A expenses, and increased by 700 million yen due to the depreciation of Japanese yen.



Net Sales & Operating Income



Operating Income QoQ Analysis



<Net sales> QoQ -2.9 bn yen (-5.2%)

- Product revenue -8.0 bn yen (FX impact +0.8 bn yen)
- NRE revenue +5.1 bn yen (FX impact +0.2 bn yen)
- Depreciation of Japanese yen +1.0 bn yen (USD/JPY 144.6→147.9)

<Operating income> QoQ +0.7 bn yen (+8.2%)

- Decrease in gross profit from product revenue -4.7 bn yen
- Increase in NRE revenue +4.9 bn yen
- Decrease in R&D·SG&A, etc. +0.2 bn yen
- Depreciation of Japanese yen +0.4 bn yen

1. R&D cost connected to NRE revenue is recorded as an expense. Accordingly, NRE does not fully contribute to an increase in operating income for a particular period.

2. FX impact is an increase or decrease from the previous year or quarter caused by change in USD/JPY exchange rate. The FX impact is excluded from the other factors shown in the operating income analysis.

This slide shows the analysis of net sales and operating income for the third quarter in FY24/3 compared with the second quarter.

Net sales decreased by 2.9 billion yen (-5.2%) and operating income increased by 0.7 billion yen (+8.2%).

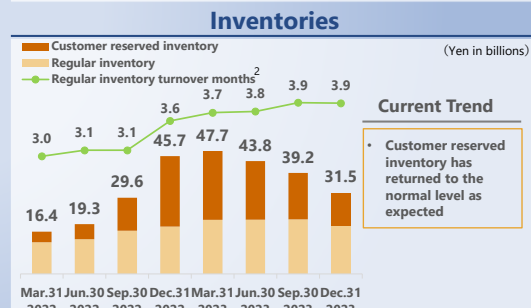
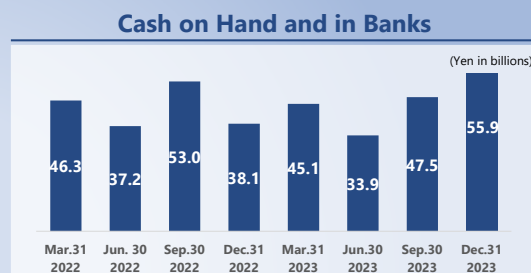
Product revenue decreased by 8.0 billion yen, and NRE revenue increased by 5.1 billion yen. The depreciation of Japanese yen led to 1.0 billion yen increase in net sales.

Product revenue decreased by 5.0 billion yen due to the end of Special Demand. Also, the weak demand for consumer products led to a decrease in product revenue.

NRE revenue tends to be higher in third quarter as the number of global projects are increasing. NRE revenue for this quarter was also at the high level, with a significant growth from the previous quarter.

Operating income increased by 700 million yen due to increase in NRE revenue (+4.9 billion yen) and the depreciation of Japanese Yen (+400 million yen), despite a decrease in gross profit as a result of the decline of product sales (-4.7 billion yen).

	As of Mar.31,2023	As of Dec.31,2023	Change
(Yen in billions)			
<b>Total Assets</b>	193.9	<b>177.7</b>	-16.3
<b>Total Current Assets</b>	156.1	<b>131.7</b>	-24.4
Cash on-hand and in banks	45.1	<b>55.9</b>	+10.8
Accounts receivable-trade	40.8	<b>34.2</b>	-6.6
Inventories <sup>1</sup>	47.7	<b>31.5</b>	-16.2
Accounts receivable-other	16.2	<b>2.1</b>	-14.2
<b>Total Non-Current Assets</b>	37.9	<b>45.9</b>	+8.1
<b>Total Liabilities</b>	84.1	<b>53.3</b>	-30.8
<b>Total Current Liabilities</b>	82.3	<b>51.7</b>	-30.7
Accounts payable-trade	23.4	<b>16.6</b>	-6.9
Accounts payable-other	24.6	<b>8.3</b>	-16.2
Liabilities related to changeable subcontracting	18.9	<b>11.9</b>	-6.9
<b>Total Net Assets</b>	109.9	<b>124.3</b>	+14.5
<b>Shareholders' Equity Ratio</b>	56.6%	70.0%	



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

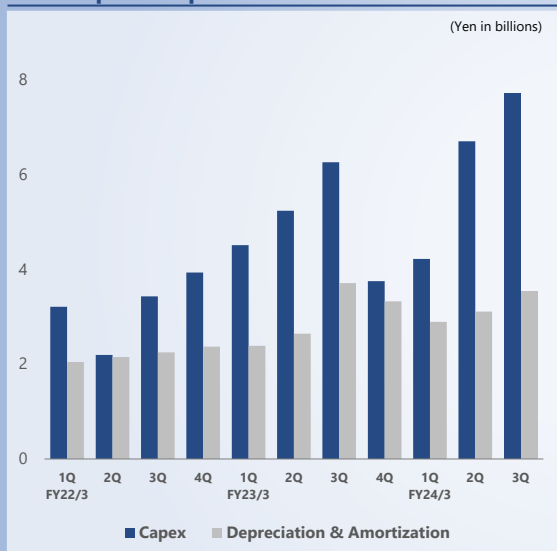
For the balance sheet, total assets were 177.7 billion yen, a decrease of 16.3 billion yen from the end of FY23/3. Total liabilities were 53.3 billion yen, a decrease of 30.8 billion yen, and total net assets were 124.3 billion yen, an increase of 14.5 billion yen from the end of the previous fiscal year, respectively.

The decrease in total assets is due mainly to a decrease in inventories of wafers procured in advance by customer request and related receivables, as a result of product sales to the customer. The decrease in total liabilities is due to the same factor.

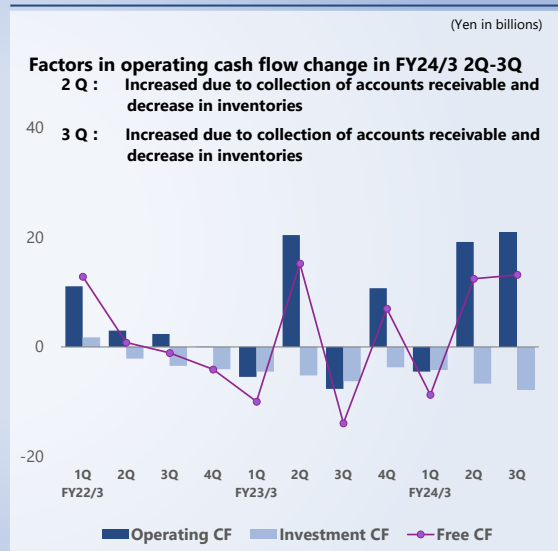
Cash on-hand and in banks increased by 10.8 billion yen from the end of the previous fiscal year, reflecting the optimization of inventories and the increase of profit, despite the tax and dividend payments.

Inventories from the advance procurement of wafers passed the peak during the third and fourth quarter FY23/3, and are expected to return to the preferable level in FY25/3.

Capex<sup>1</sup>-Depreciation & Amortization<sup>2</sup>



Cash Flow<sup>2</sup>

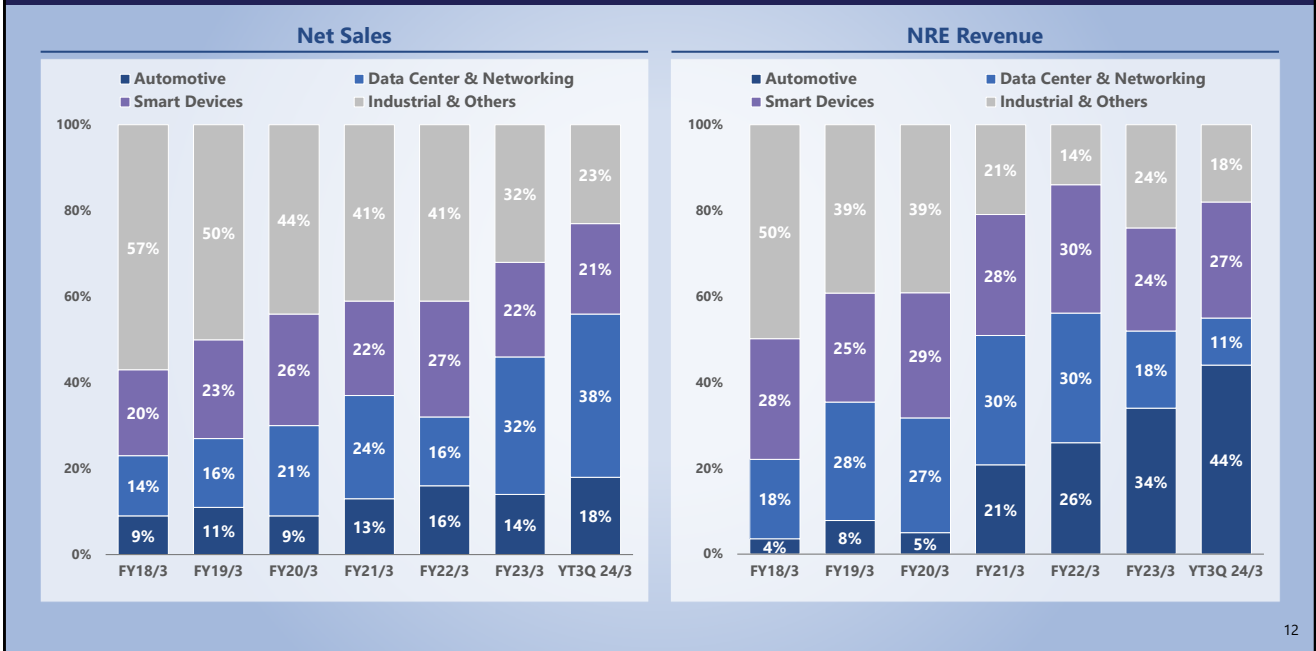


1. Capex: Purchases of PP&E + purchase of intangible assets  
 2. Quarterly financial results of FY 22/3 are unaudited and unreviewed by external auditors

This slide explains about capital expenditures and cash flow.

In the third quarter in FY24/3, capex for reticles and IPs increased because of the growing design wins for advanced technology products. The level of depreciation & amortization is on an increasing trend, reflecting the increase in our capex for our business growth and development.

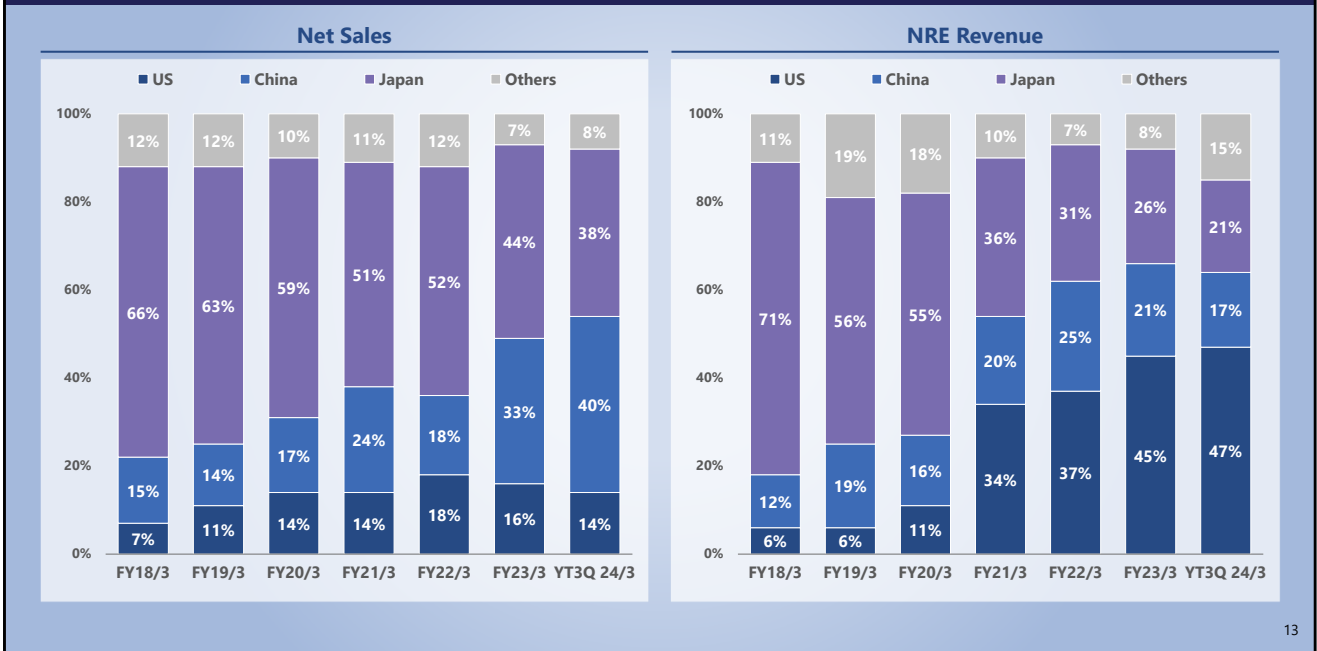
Operating cash flow was significantly positive as it was in the second quarter, due to the collection of account receivables and the decrease in inventories, in addition to the recording of profit. Therefore, free cash flow for the third quarter was positive despite the increase in capex.



This slide shows the breakdown of net sales and NRE revenue by application since FY18/3.

Through three quarters of FY24/3, the proportion of sales from Data Center & Networking, including those from Special Demand, increased significantly while sales in the Automotive and Smart Devices also increased.

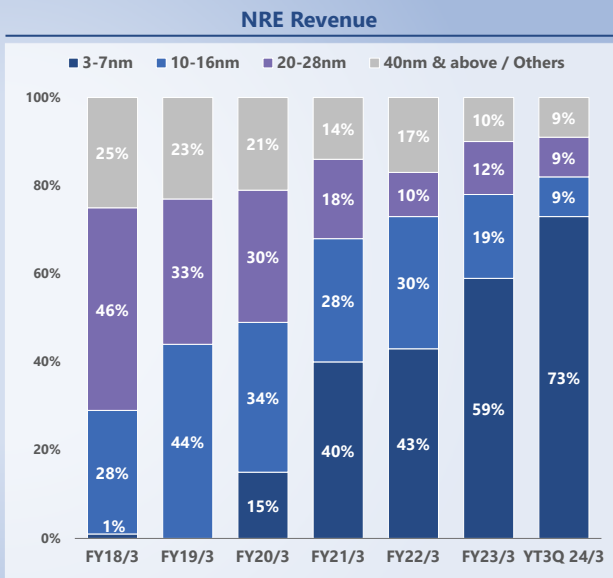
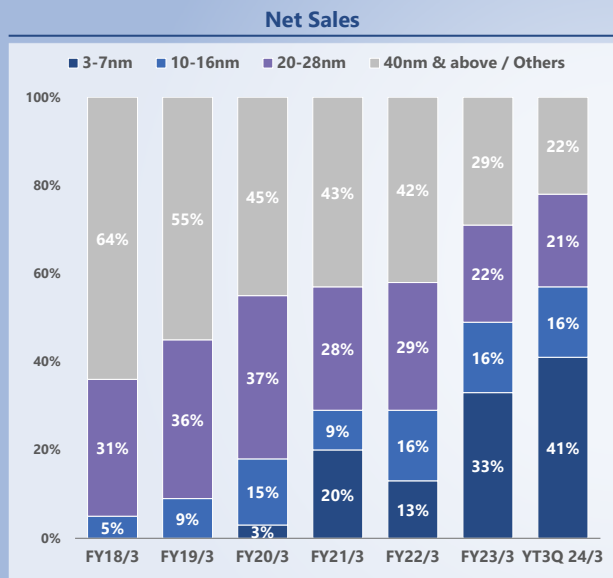
As for NRE, proportion of Automotive continued to expand from the previous fiscal year. In Automotive, design wins have been strong and the design & development activities for those projects are in progress.



This slide shows the breakdown by geographic region.

Although the proportion of China in net sales increased to 40%, it is expected to decrease along with the decrease of sales associated with Special Demand.

As for NRE, proportion of the U.S. is expanding.



This slide shows the breakdown by process node.

Proportion of both net sales and NRE revenue for advanced technologies is increasing.

Please see the appendix pages for the quarterly data breakdown by application market, geographic region and process node.

(Yen in billions)

	FY2023/3	FY2024/3	FY2024/3	FY2024/3			Previous Forecast	Previous Forecast %
	Full Year Results	Full Year Forecast as of April 2023	Full Year Forecast as of October 2023	Full Year Forecast as of January 2024	YoY	YoY %		
<b>Net Sales</b>	192.8	200.0	214.0	<b>217.0</b>	24.2	12.6%	3.0	1.4%
<b>Operating Income</b>	21.7	22.5	29.0	<b>31.5</b>	9.8	45.1%	2.5	8.6%
Margin	11.3%	11.3%	13.6%	<b>14.5%</b>	+3.2%pt		+0.9pt	
<b>Profit</b>	19.8	17.5	22.5	<b>22.5</b>	2.7	13.8%	0.0	0.0%
Margin	10.3%	8.8%	10.5%	<b>10.4%</b>	+0.1%pt		-0.1%pt	
<b>Basic Earnings per Share<sup>1,2</sup></b>	117.40yen	100.91yen	127.90yen	<b>127.79yen</b>				
<b>Dividends per Share<sup>1,3</sup></b>	42.00yen	42.00yen	46.00yen	<b>46.00yen</b>				
<b>FX Rate (USD/JPY)</b>	135.5yen	115.0yen	133.0yen (FX for 2H : 125.0yen)	<b>138.7yen</b> (FX for 4Q : 125.0yen)				

- > The decrease in the tax credit was reflected in the third quarter results, as explained in page 5
- > 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. In the second half, it is expected to have an impact of approximately 1.2 billion yen on Net sales. The exchange rate sensitivity of JPY to other currencies would be minor

1. Actual and forecasted basic earnings per share and dividends per share were calculated based on the number of shares after the five-for-one stock split. Socionext conducted a five-for-one stock split of common stock owned by shareholders listed or recorded in the final shareholder register as of December 31, 2023.  
 2. Forecasted basic earnings per share for FY2024/3 has been revised from 103.96yen as of the end of April to 100.91yen as of the end of July, which has reflected the change in the number of shares since April 2023 due to the exercise of stock options. The number of shares used for calculation of the forecast was 168,333,333 shares as of April, 173,421,560 shares as of July, 175,912,155 shares as of October, and 176,075,835 shares as of January in the fiscal year 2023. (Actual basic earnings per share for FY2023/3 was calculated based on 168,333,333 shares.)  
 3. Estimated dividends per share for FY2023/3 was 32.00yen as of the end of September, 2022 and 38.00yen as of the end of January, 2023

Today, we have announced a revision to our full-year performance forecast.





As for the full year FY24/3, we have revised our net sales forecast to 217 billion yen, an increase of 12.6% from the previous year (+3 billion yen from the previous forecast), by taking into account the factors including the depreciation of Japanese yen during the third quarter.

Operating income has been revised to 31.5 billion yen, an increase of 45.1% from the previous year (+2.5 billion yen from the previous forecast).

Profit is estimated to be 22.5 billion yen, and it has not been changed from the previous forecast. This is due to the possibility of decrease in tax credit, as explained earlier.

The exchange rate assumption for the fourth quarter is 125 yen per dollar.

The sensitivity to exchange rate fluctuations is approximately 1.3 billion yen in annual sales for every 1 yen change against the dollar. For the second half of this fiscal year alone, it is expected to be around 1.2 billion yen. The sensitivity to exchange rate fluctuations in operating profit remains unchanged at about 350 million yen.

Market trend and Design win	FY24/3 forecast	After FY25/3 forecast
<ul style="list-style-type: none"> <li> <b>Automotive</b> <ul style="list-style-type: none"> <li>- Innovation continues for ADAS (Advanced Driver Assistance System) and AD (Autonomous Driving)</li> <li>- Demand is strongly active for zone architecture and sensing SoCs</li> <li>- Design win has been piling up</li> </ul> </li> <li> <b>DC/Networking</b> <ul style="list-style-type: none"> <li>- Demand for DC &amp; networking and cloud service SoCs is in growth trend</li> <li>- Acquiring new design wins in the US remains a challenge</li> </ul> </li> <li> <b>Smart Devices</b> <ul style="list-style-type: none"> <li>- Demand for action cameras and new technology is still strong</li> <li>- Opportunities with advanced customers are increasing in computer vision and AR markets etc.</li> </ul> </li> <li> <b>Industrial &amp; Others</b> <ul style="list-style-type: none"> <li>- Opportunities are increasing for large-scale SoCs for FA and measurement equipment, as well as for custom SoCs using RF-CMOS technologies</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ <b>Product revenue</b> <ul style="list-style-type: none"> <li>■ Market                             <ul style="list-style-type: none"> <li>- Increase in automotive, DC/Networks, and Industrials</li> <li>- Decrease in MFP, Consumer product due to inventory adjustment</li> <li>- Special demand (revenue contribute: JPY 15bn for FY24/3, JPY 4bn for FY23/3), which is concentrated in 1H</li> <li>- 1H revenue is expected to be larger than 2H</li> </ul> </li> <li>■ Geography                             <ul style="list-style-type: none"> <li>- China : increase in DC/Networking</li> <li>- US : Slightly increase including Consumer products</li> <li>- Japan : Decrease in consumer market, Increase in automotive etc.</li> </ul> </li> </ul> </li> <li>■ <b>NRE revenue</b> <ul style="list-style-type: none"> <li>- Steady increase due to well acquired Design win</li> </ul> </li> <li>■ <b>Operating Income</b> <ul style="list-style-type: none"> <li>- Product Gross margin rate Improvement: owing to decrease in the expense for front-loading procurement etc.</li> <li>- Increase in R&amp;D and SG&amp;A: Development for state of the arts technologies, increase of depreciation, investment for IT, overseas selling expense, labor cost for reinforcing talented engineers</li> <li>- Restructuring expense recorded in 1H</li> </ul> </li> <li>■ <b>FX</b> <ul style="list-style-type: none"> <li>- Assumption in 2H FX: 1USD=125JPY</li> <li>- FX sensitivity in sales: Approx. JPY 1.3bn in FY24/3 annual, approx.1.2bn in FY24/3 2H.</li> <li>- FX sensitivity in Operating Profit: JPY approx. 0.35bn</li> </ul> </li> </ul>	<p><b>FY25/3-FY26/3</b></p> <ul style="list-style-type: none"> <li>■ <b>Product revenue</b> <ul style="list-style-type: none"> <li>- While new mass production launches will continue to serve as the basis for growth, there is a possibility that new mass production will be offset by the end of special demand, which might limit the growth.</li> <li><u>New mass production launch</u> <ul style="list-style-type: none"> <li>- Based on the acquired design win (worth 200 billion JPY) from FY20/3 to FY23/3 and the current strong situation, expecting stable sales growth through new mass production launches.</li> </ul> </li> <li><u>Factors to be offset</u> <ul style="list-style-type: none"> <li>- For 5G network products, which have been driving the growth, Special Demand ended in the first half of FY24/3, returning to the baseline in FY25/3, and may decline faster than expected from FY26/3 onward.</li> <li>- Chinese market &amp; consumer market are being weak</li> </ul> </li> <li><u>Automotive business</u> <ul style="list-style-type: none"> <li>- While current design win for automotive is well, takes time for start of mass-production and revenue contribution</li> </ul> </li> </ul> </li> <li>■ Excluding the impact of FX, we expect a period of relatively flat or slight decrease in the next two years</li> </ul> <p><b>After FY27/3</b></p> <ul style="list-style-type: none"> <li>■ Expecting a return to high growth against a background of strong design win acquisitions especially in the automotive market</li> </ul>

This slide is copied from the second quarter presentation in October 2023.



	FY21/3	FY22/3	Mid-Term Target <sup>1</sup>	FY23/3	FY24/3 Forecast
Net Sales Growth	99.7 billion yen	117.0 billion yen	High teen% CAGR <sup>2</sup>	192.8 billion yen	217.0 billion yen CAGR <sup>2</sup> :36%
OP Margin	1.6% (1.6 billion yen)	7.2% (8.5 billion yen)	Low-to-Mid teen %	11.3% (21.7 billion yen)	14.5% (31.5 billion yen)

1. 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.

2. The base year of the calculation of Compound Annual Growth Rate (CAGR) is FY22/3.

For FY24/3, we expect net sales to exceed the baseline CAGR estimated at the time of listing as the mid-term financial targets, due to the factors including Special Demand, higher-than-expected product sales for some projects, and the effect of FX.

Operating income margin is estimated to be 14.5%, getting closer to the mid-term target.

## Appendix:

### Overview

- *Consolidated Financial Statements*
- *Illustrative Growth Image*
- *Breakdown of Net Sales (Quarterly)*
- *Detail of Design Win*
- *Growth Strategy*
- *Company Overview and others*



(Yen in billions)	FY21/3	FY22/3	FY23/3	FY24/3 YT3Q	FY24/3E
Net Sales	99.7	117.0	192.8	169.6	217.0
% YoY	-3.7%	+17.3%	+64.7%	+22.2%	+12.6%
Product Revenue	73.1	84.6	156.8	142.0	-
NRE Revenue	23.0	28.1	34.9	27.1	-
Other Revenue	3.6	4.3	1.1	0.6	-
Cost of Goods Sold	(43.2)	(49.8)	(103.9)	(87.4)	-
Gross Profit	56.5	67.3	88.8	82.3	-
% Margin	56.7%	57.5%	46.1%	48.5%	-
R&D	(39.2)	(43.2)	(49.3)	(38.3)	-
Selling, General and Administrative Expenses (excl. R&D)	(15.8)	(15.6)	(17.8)	(16.1)	-
Operating Income	1.6	8.5	21.7	27.9	31.5
% Margin	1.6%	7.2%	11.3%	16.5%	14.5%
Non-Operating Income	0.4	0.6	1.8	1.4	-
Profit before Income Taxes	2.0	9.1	23.4	29.3	-
Income Taxes	(0.5)	(1.6)	(3.7)	(9.0)	-
Profit	1.5	7.5	19.8	20.3	22.5
% Margin	1.5%	6.4%	10.3%	12.0%	10.4%

(Yen in billion)	FY21/3	FY22/3	FY23/3	FY24/3 3Q		FY21/3	FY22/3	FY23/3	FY24/3 3Q
<b>Assets</b>					<b>Liabilities and Equity</b>				
Cash on-hand and in banks	42.7	46.3	45.1	55.9	Accounts Payable-trade	12.0	16.6	23.4	16.6
Accounts receivable-trade, net	28.6	25.1	40.8	34.2	Accrued Expenses	7.4	6.9	30.3	15.4
Inventories <sup>1</sup>	6.7	16.4	47.7	31.5	Others	1.9	3.9	28.6	19.7
Others	2.6	2.9	22.4	10.0					
<b>Total Current Assets</b>	<b>80.6</b>	<b>90.6</b>	<b>156.1</b>	<b>131.7</b>	<b>Total Current Liabilities</b>	<b>21.3</b>	<b>27.4</b>	<b>82.3</b>	<b>51.7</b>
Property, Plant and Equipment	8.9	11.6	17.2	20.6	<b>Total Non-current Liabilities</b>	<b>1.3</b>	<b>1.4</b>	<b>1.7</b>	<b>1.7</b>
Reticle	3.7	4.7	5.6	7.9	<b>Total Liabilities</b>	<b>22.6</b>	<b>28.8</b>	<b>84.1</b>	<b>53.3</b>
Others PP&E	5.2	6.9	11.6	12.7	Common Stock	30.2	30.2	30.2	32.6
Intangible Assets	11.6	12.2	13.0	18.4	Capital Surplus	30.2	30.2	30.2	32.6
Deferred Tax Assets	2.3	3.1	6.9	6.1	Retained Earnings	21.4	28.9	48.6	57.8
Others	0.9	0.8	0.8	0.9	Others	(0.1)	0.3	0.8	1.5
<b>Total Non-current Assets</b>	<b>23.7</b>	<b>27.8</b>	<b>37.9</b>	<b>45.9</b>	<b>Total Equity</b>	<b>81.7</b>	<b>89.6</b>	<b>109.9</b>	<b>124.3</b>
<b>Total Assets</b>	<b>104.2</b>	<b>118.4</b>	<b>193.9</b>	<b>177.7</b>	<b>Total Liabilities and Equity</b>	<b>104.2</b>	<b>118.4</b>	<b>193.9</b>	<b>177.7</b>

## Strong Balance Sheet

### Cash on-hand and in banks

 **¥55.9bn**  
(FY24/3 3Q)

### Debt

 **No Debt**  
(FY24/3 3Q)

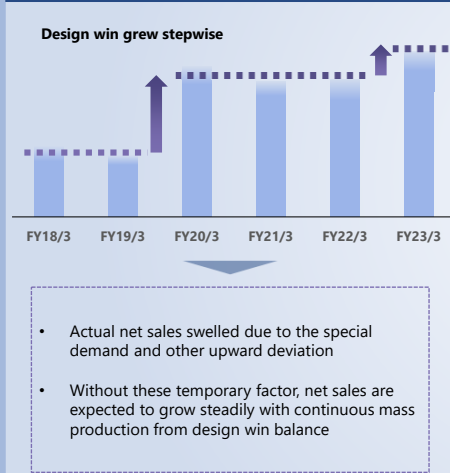
### Equity Ratio<sup>2</sup>

 **70%**  
(FY24/3 3Q)

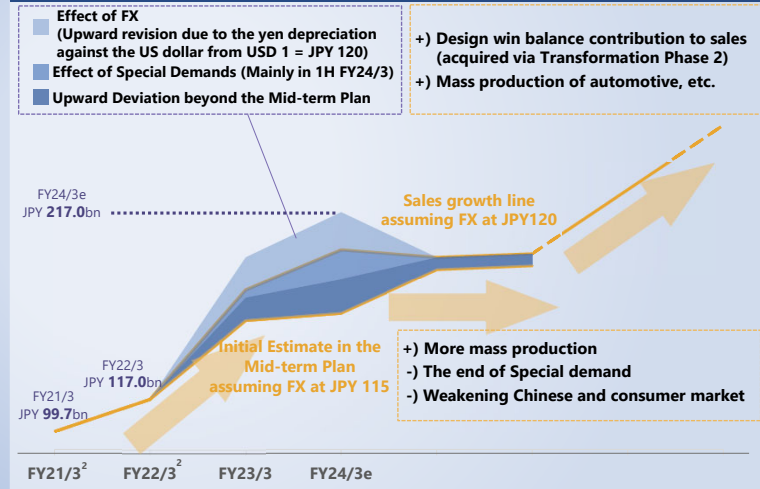
- Inventories is calculated as the sum of "Finished goods" and "Work in progress"
- Equity Ratio is calculated as (Total Equity / Total Liabilities and Equity)

- Keeping high level revenue, net sales will possibly be flat due to the end of special demand and weakening Chinese and consumer market, followed by growth acceleration driven by mass production in automotive-related business, etc.

## Sales growth mechanism



## Net sales achievement and forecast<sup>1</sup>



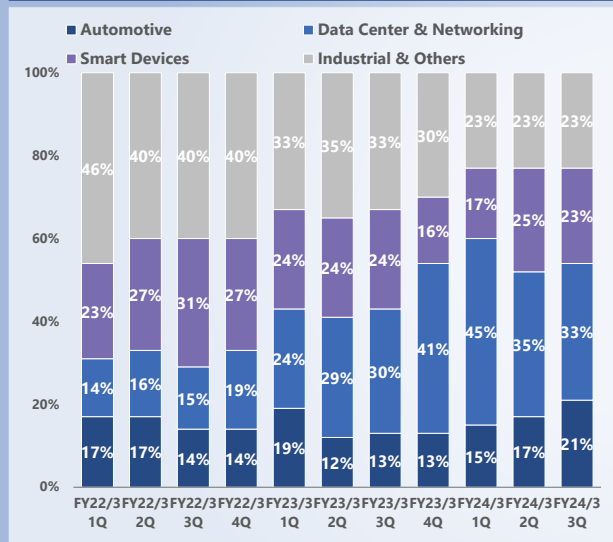
1. Refer to page 2

2. Net sales for FY21/3 and FY22/3 was based on the actual FX rate then. The upper line chart assumes FX rate of USD 1 = JPY 120 in and after FY23/3 for the purpose of comparison between the current and long-term growth trend. The lower line chart was net sales estimate in the mid-term plan recalculated with an assumption of USD 1 = JPY 115. Upward deviation is calculated using this recalculated net sales estimate. Please note that the actual mid-term plan assumed FX rate of JPY 115 except for FY23/3 with an assumption of JPY 125

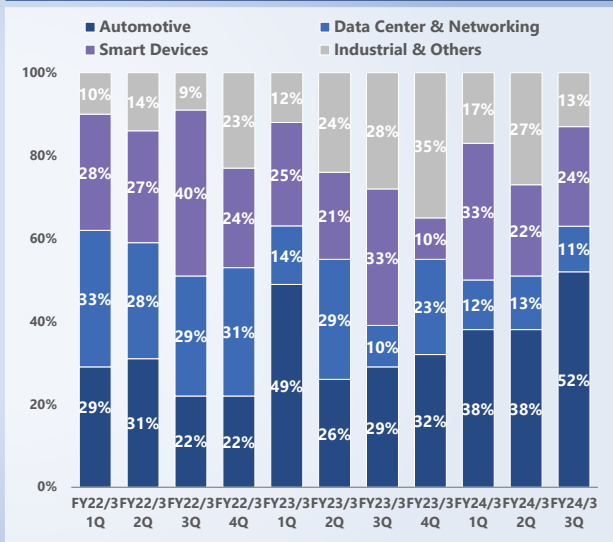
3. Net sales for FY24/3e was updated to reflect the revision to our full-year performance outlook

This slide is from the second quarter presentation, with the figure for "FY24/3e" updated.

### Net Sales<sup>1</sup>

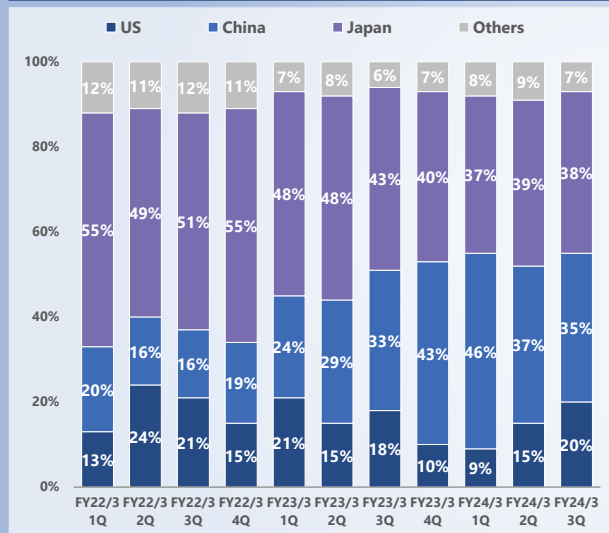


### NRE Revenue<sup>1</sup>

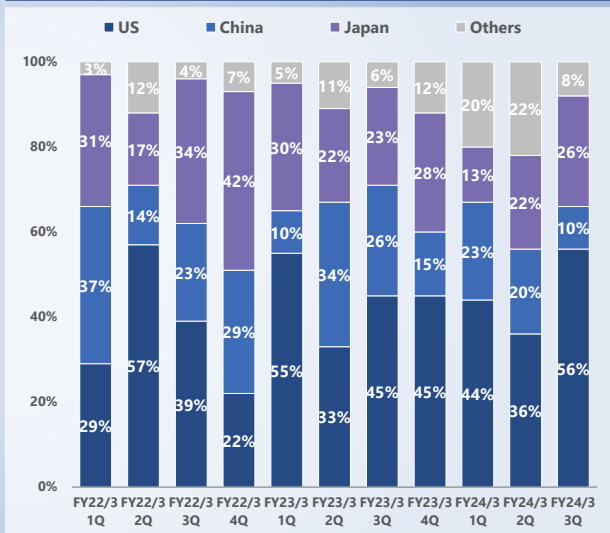


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

### Net Sales<sup>1</sup>

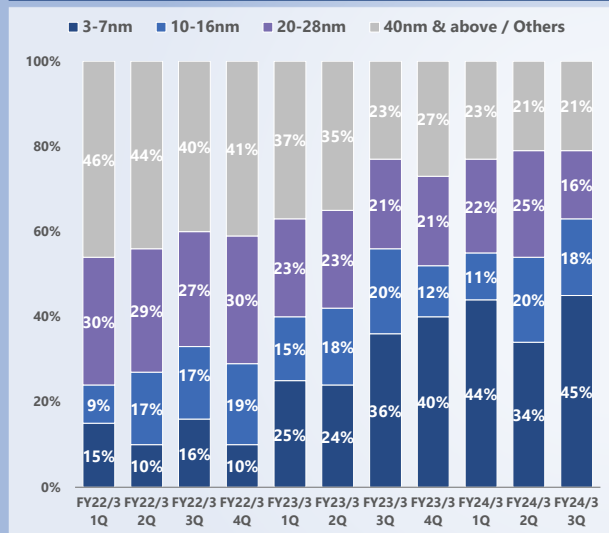


### NRE Revenue<sup>1</sup>

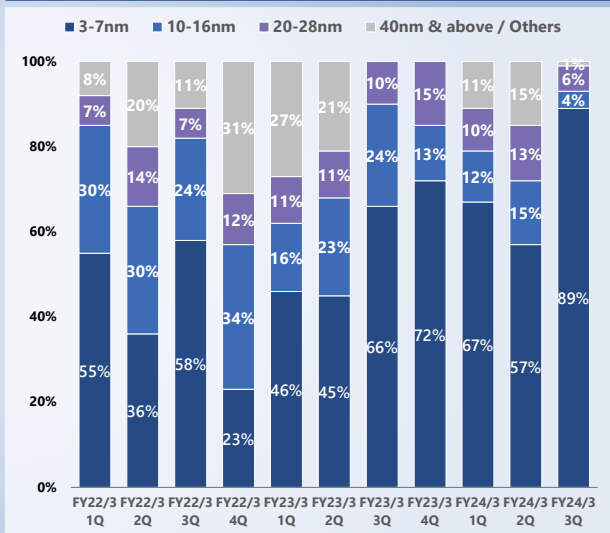


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

### Net Sales<sup>1</sup>



### NRE Revenue<sup>1</sup>



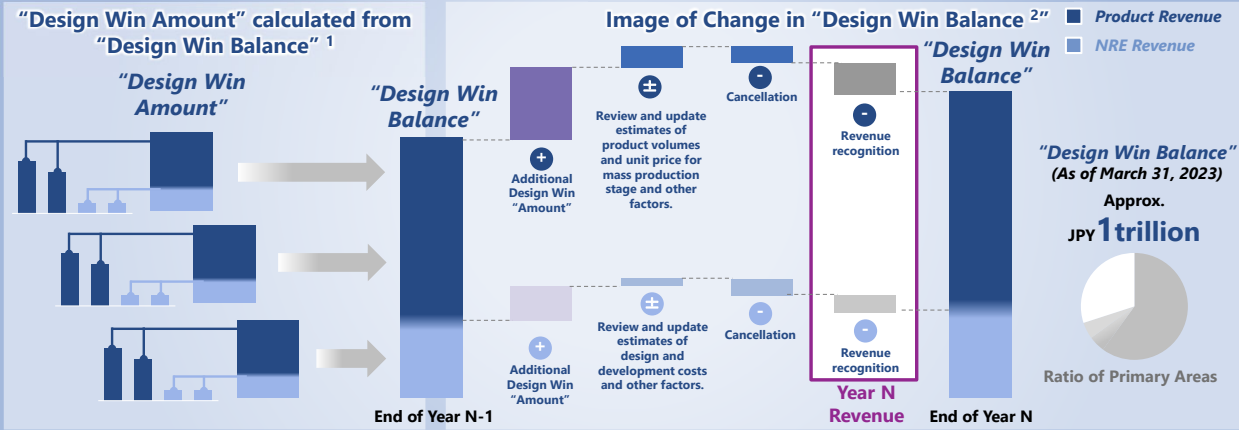
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.



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

## "Design Win Balance"<sup>1</sup> . . .

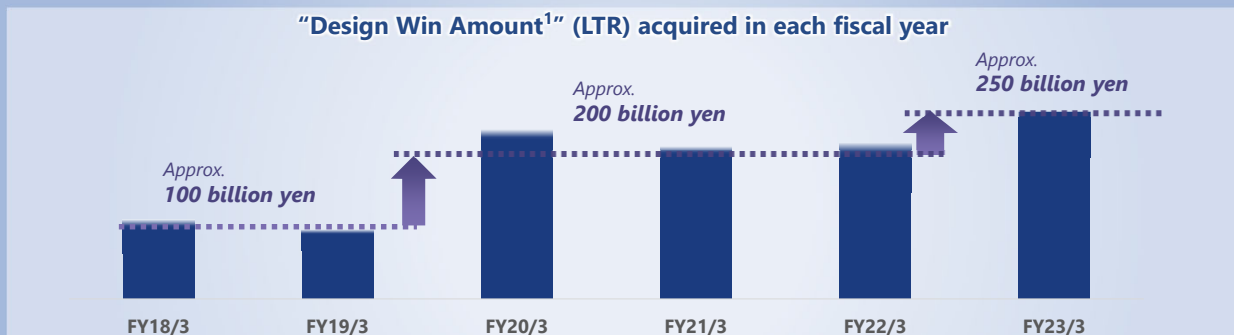
"Design win balance" (LTR; Life Time Revenue) represents our estimates of remaining accumulated "design win amount" that is associated with projects that are active as of a particular date. Design win balance thus reflects certain subsequent developments after the end of the period in which such design win was acquired "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 primary areas reflected in the "design win amount" for FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for more than 15% 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. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, although there can be no assurance that cancellations will not occur in the future with respect to design win amounts for such fiscal year or any prior fiscal year. A foreign exchange assumption of \$1=100 has been used. Also refer to page 3

2. For illustrative purposes only

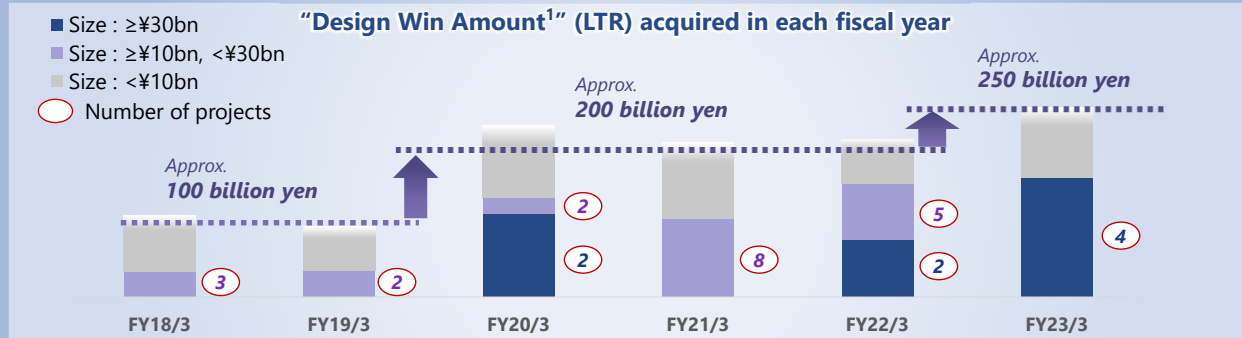
- “Design Win Amount” has approximately doubled throughout our transformation since 2018
- Stepping up to the next “Design Win Amount” level in FY23/3 with approximately 250 billion yen



We do not update the “design win amount” for any changes in circumstances that we become aware of after such period-end date. Those changes include: (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, and (2) any subsequent cancellation of projects. For example, certain projects in primary areas reflected in the “design win amount” for FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for more than 15% 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. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, although there can be no assurance that cancellations will not occur in the future with respect to design win amounts for such fiscal year or any prior fiscal year. A foreign exchange assumption of 1USD=100JPY has been used with respect to all six periods set forth in the above graph.

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. Refer to pages 3.

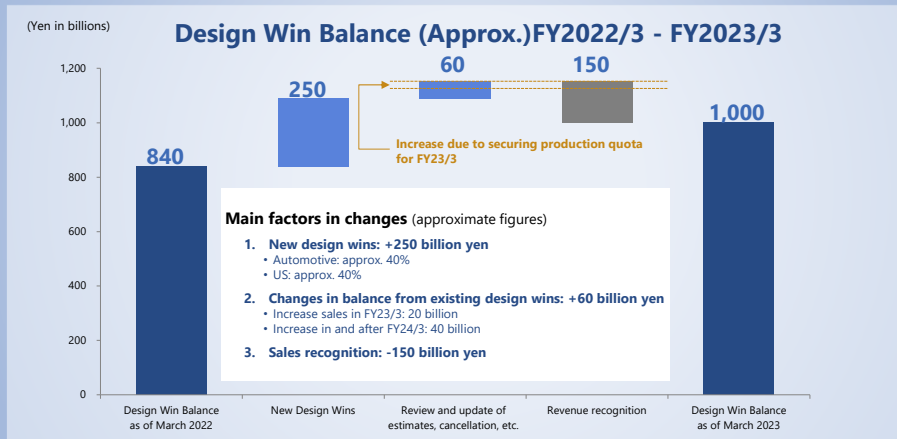
- The ratio of large-scale Design Wins has been rising. We expect a significant portion of future product shipments will be attributable to large-scale Design Wins, which generally contribute to improve our business efficiency



We do not update the “design win amount” for any changes in circumstances that we become aware of after such period-end date. Those changes include: (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, and (2) any subsequent cancellation of projects. For example, certain projects in primary areas reflected in the “design win amount” for FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for more than 15% 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. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, although there can be no assurance that cancellations will not occur in the future with respect to design win amounts for such fiscal year or any prior fiscal year. A foreign exchange assumption of 1USD=100JPY has been used with respect to all six periods set forth in the above graph.

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- 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



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 primary areas reflected in the "design win amount" for FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for more than 15% 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. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, although there can be no assurance that cancellations will not occur in the future with respect to design win amounts for such fiscal year or any prior fiscal year. A foreign exchange assumption of \$1=¥100 has been used. 2.Charts on this page exclude amount of "Special Demand." Refer to page 3 3.Design Win Balance as of June 2022 was 880 billion yen

- Design wins for projects based on advanced technologies, especially in the automotive market, from global leading customers. Our total Design Win Balance reached approximately 1 trillion yen as of March 31, 2023 (excl. special demand<sup>2</sup>)
- Our substantial presence encourages us to acquire new design wins by leveraging the experience of our development process

Automotive			Data Center & Networking			Smart Devices			Industrial & Others		
Application	nm	Customer <sup>3</sup>	Application	nm	Customer <sup>3</sup>	Application	nm	Customer <sup>3</sup>	Application	nm	Customer <sup>3</sup>
HP Computing AD/ADAS	3-7nm	Global OEMs Tier-1 Suppliers / Emerging companies	Data Centers	5-12nm	Global Major Telecom Equipment Players	Camera ISP Technology	5-12nm	Major Players	Industrial automation		Major Players
LiDAR Camera Rader HMI	7-22nm		5G Base Station CU/DU/RU	7-12nm					IoT & Radar devices Printer Measurement equipment	5-28nm	

"Design win balance"<sup>1</sup> (LTR) as of June 30, 2022 & March 31, 2023 (excl. special demand<sup>2</sup>)



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2. Charts on this page exclude amount of "Special Demand." Refer to page 3

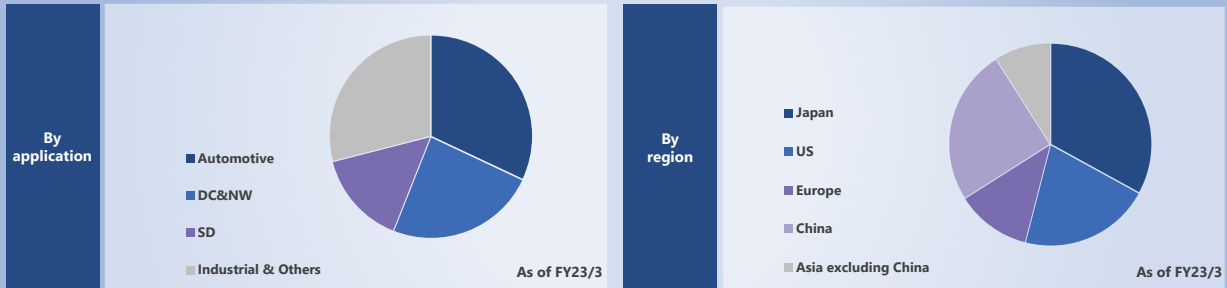
3. Only non-Japanese customers are listed

■ **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: 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 calculated based on the regional companies of Socionext

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

## Roadmap to OP Margin Target

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

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 17

- 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	FY24/3 Estimate
Net Sales	99.7 billion yen	117.0 billion yen	High teen% CAGR	192.8 billion yen	217.0 billion yen
OP Margin	1.6%	7.2%	Low-to-Mid teen%	11.3%	14.5%

**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

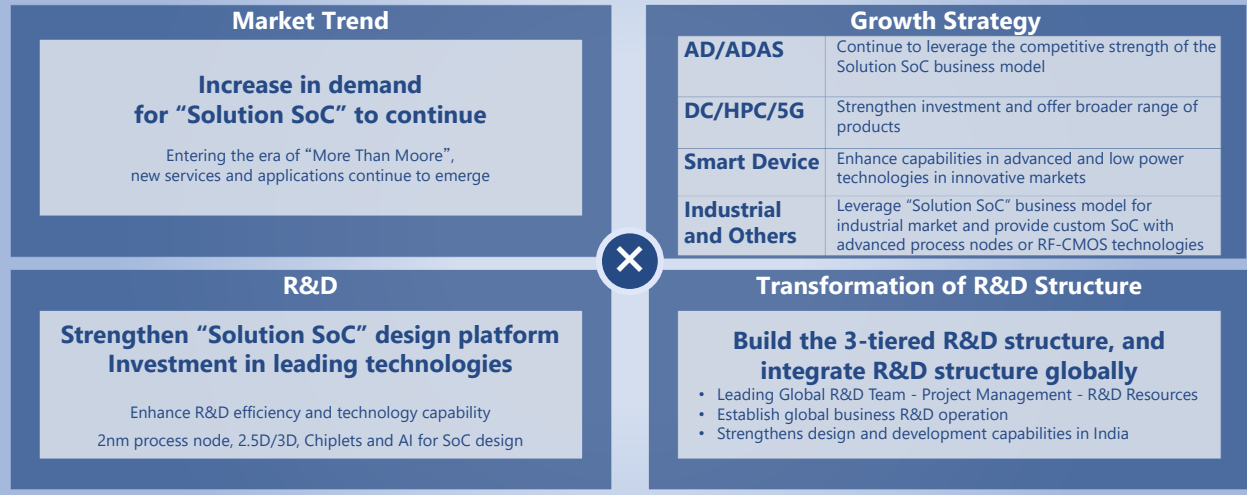


**High growth will turn visible**

1. Net sales for FY24/3e was updated to reflect the revision to our full-year performance outlook



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



**Continue to Acquire New Design Wins**

- 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
- Software-Defined SoC as part of a software-oriented system

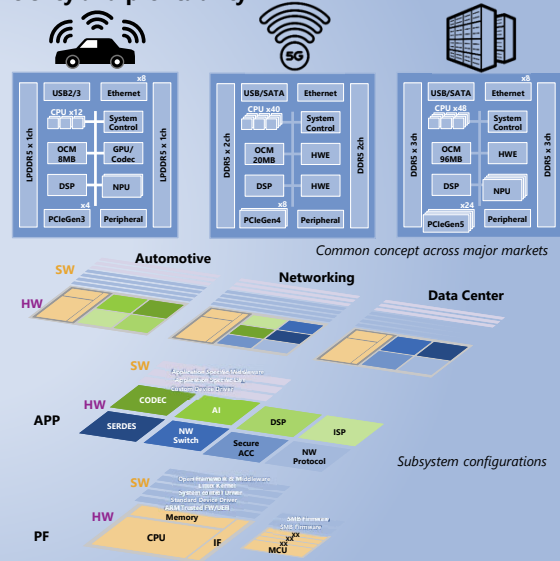
## What Socionext can do

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

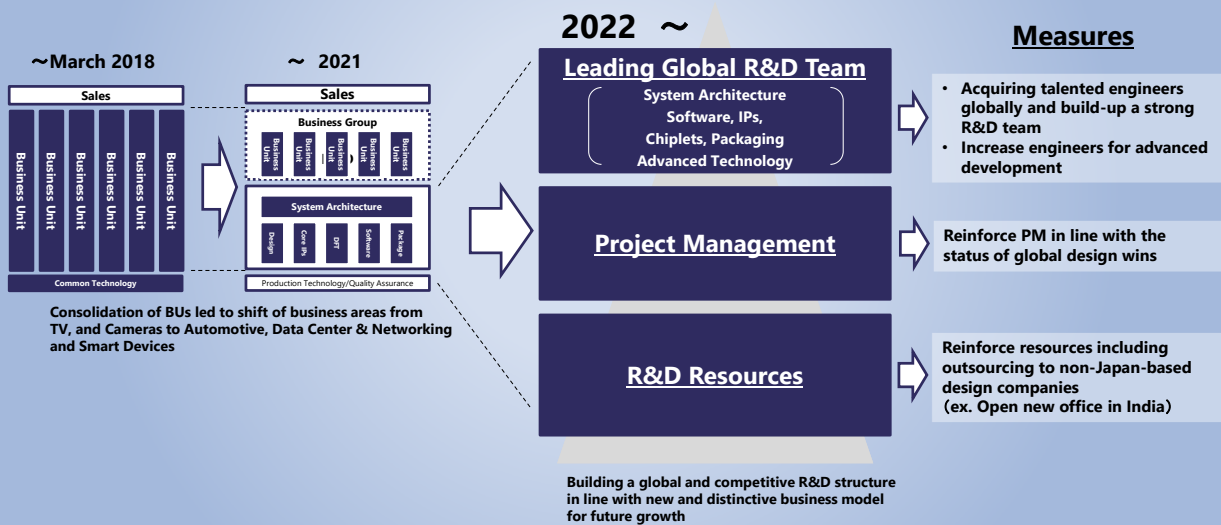
- ◆ **Build standard and optimized R&D flow with platform-based approach**
- ◆ **Improve development efficiency and profitability**

## Socionext's initiatives

- Build solid development platform including software
- Closer partnership with SoC ecosystem(EDA, IP and other suppliers)
- Actively invest in leading technologies (2nm & beyond, chiplet (die-to-die interconnect, 2.5D/3D packaging), AI for design, IP, etc)
- ◆ **Strengthen ties to SoC ecosystem and drive global innovation**



- Rebuilding global R&D structure in line with the change of primary business areas and the business model
- Reinforcing flexible and scalable "Solution SoC" development platform



- 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

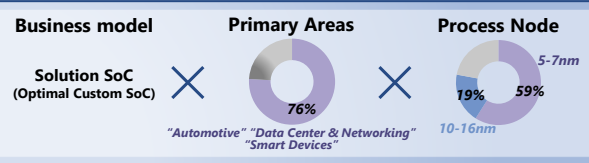


<b>Business Description</b> Fabless Custom SoCs	<b>Capital</b> As of March 31, 2023 30.2 billion yen	<b>Employees<sup>1</sup></b> As of March 31, 2023 Global Employees 2,526 Engineers <sup>2</sup> Approx. 1,900
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Key Financials FY23/3

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



~Socionext's Positioning in Semiconductor Market~



Types of Custom SoC(ASIC) Business Models<sup>3</sup>

- Strength within the Automotive, Data Center & Networking and Smart Devices applications
- New and distinctive business model
- Provides cutting-edge custom chips for innovative customers

Three business models

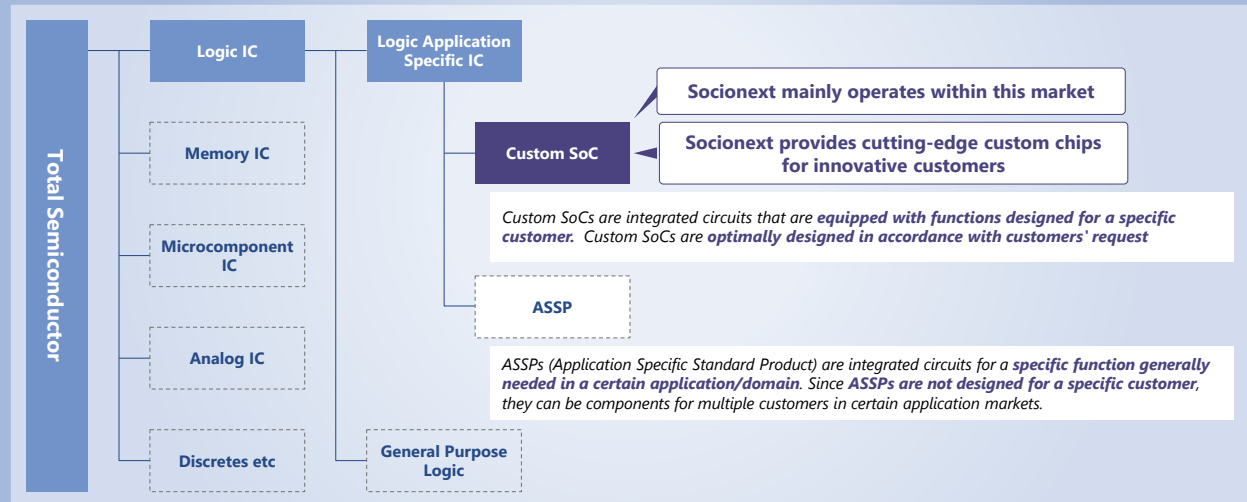
- Traditional ASIC
- Solution SoC** (New and distinctive business model)
- ASIC designed by ASSP vendor

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. Classifications of these business models are based on our own assessment  
 4. Market Size estimated by Socionext based on Omdia data "Competitive Landscaping Tool CLT, Annual-4Q22". All market sizes are calculated in terms of USD-based revenue

# Detail of Custom SoC and ASSP

Repeated material —  
Presentation Material For FY23/3

- 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 )



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

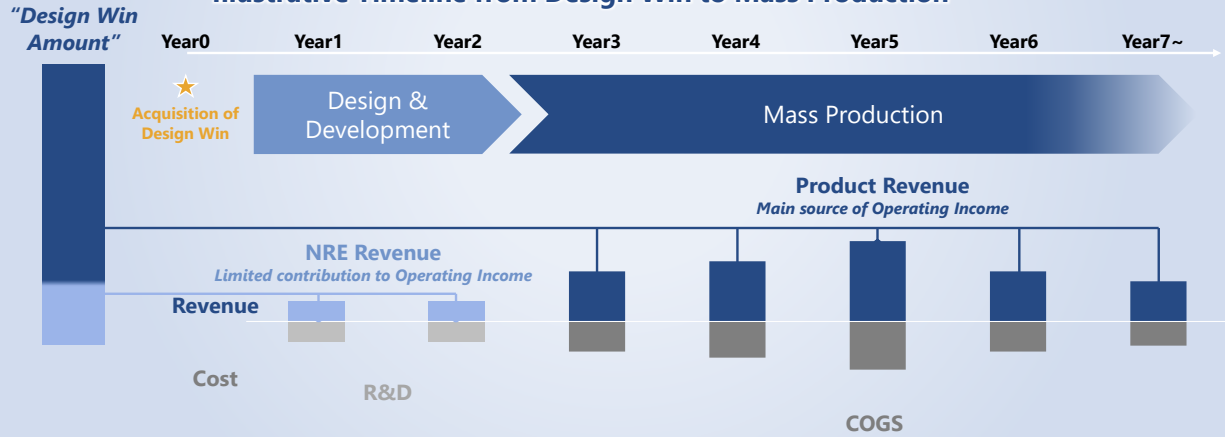
## "Design Win Amount"<sup>1</sup> . . .

"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 customers<sup>1</sup>
- A foreign exchange assumption of 1USD=100JPY has been used

## Illustrative Timeline from Design Win to Mass Production<sup>2</sup>

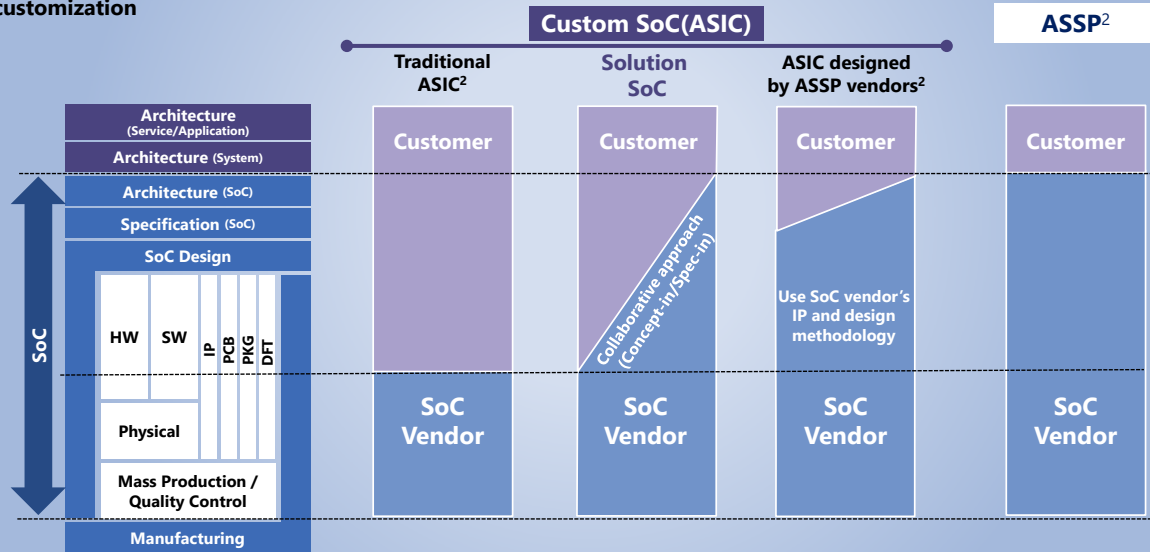


1. Refer to slide 3  
2. For illustrative purposes only. The actual timeline of product development to mass production may differ materially based on the product and actual customer demand

# Features of Solution SoC Business Model <sup>1</sup>

Repeated material —  
Presentation Material For FY23/3

- The primary difference between “traditional ASIC”<sup>2</sup> and “Solution SoC” is how to interface with customers
- The primary difference between “Solution SoC” and “ASIC designed by ASSP vendors”<sup>2</sup> 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.

- Through our Solution SoC business model, we design optimal custom SoCs in collaboration with our customers while drawing on the optimal IP, design methodology and OSS from across the semiconductor ecosystem

## Competitive advantages of solution SoCs

### Compared to Traditional ASIC<sup>1</sup>

- Available for companies with limited in-house resources
- **Valuable support of software development in early stages and upstream design**

### Compared to ASIC designed by ASSP vendors<sup>1</sup>

- Flexibly draw on ecosystem resources in order to design optimal custom SoCs (as opposed to limited modifications restricted to their own IP and design methodologies)

## Key Foundations of our Solution SoC Model with our Strong R&D Team

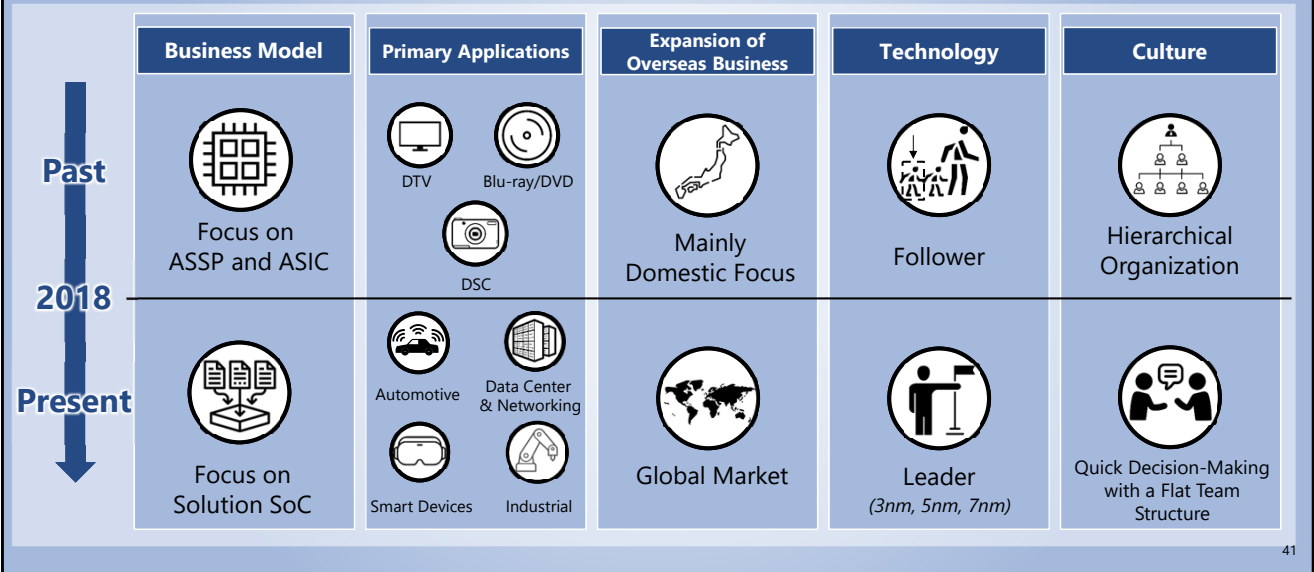
1. **Understanding Customers**
  - **Deep understanding of architecture of customer's systems**
  - Experience of ASSP business which enables our teams to understand the customer's system, applications and IPs
2. **Understanding SoCs**
  - **Deep understanding of SoCs architecture** and technologies including IP, EDA tools, packaging, quality control and manufacturing
  - Years of experience and expertise in custom SoC business for a wide range of applications
  - Entire design capability in advanced technology areas
3. **Scale**
  - Abundant engineering resources for large scale development including upstream design **with architects, system and software engineers, front-end and back-end engineers, and packaging engineers**
4. **Experience**
  - Years of experience developing highly reliable products for automotive applications

1. Classifications are based on our own assessment

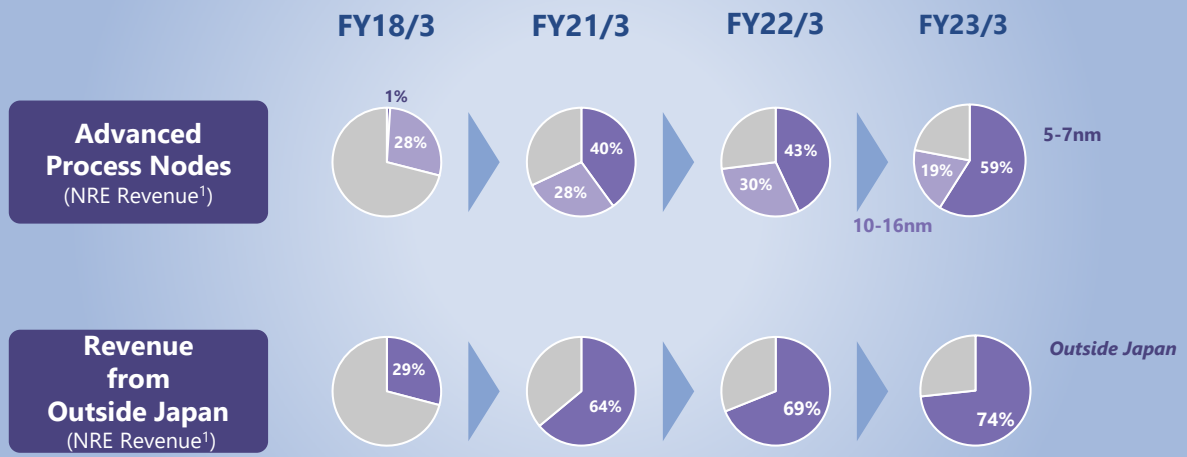


# Transformation into a Global Custom SoC Vendor in Advanced Technology Areas

- 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"



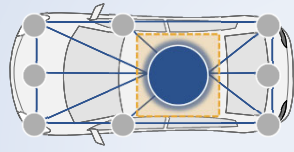
- Shift in NRE revenue composition illustrates the steady progress of our business transformation



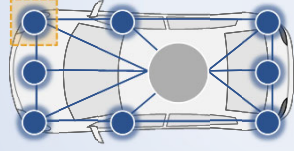
- We acquired design wins for chips using advanced technology that are crucial for customers to build their applications
- Those achievements led to repeated orders from some customers

## E/E Architecture & LiDAR (Central ECU / Zone ECU)

**3/5nm**  
(HP Computing)

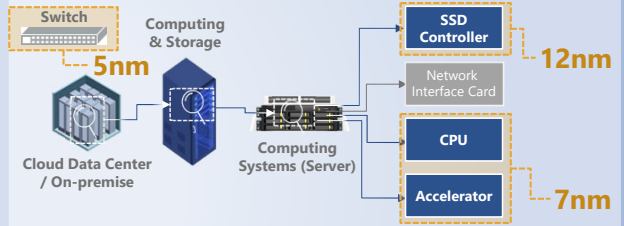


**7/16/22nm**  
(Zone Computing)

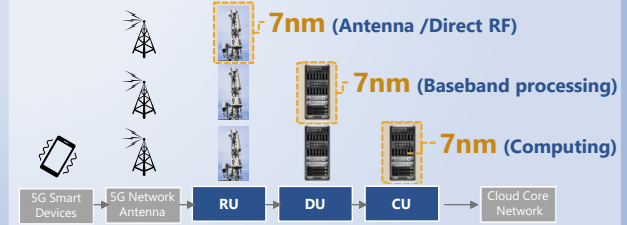


**16/22nm**  
(LiDAR / Radar / Camera)

## Data Center

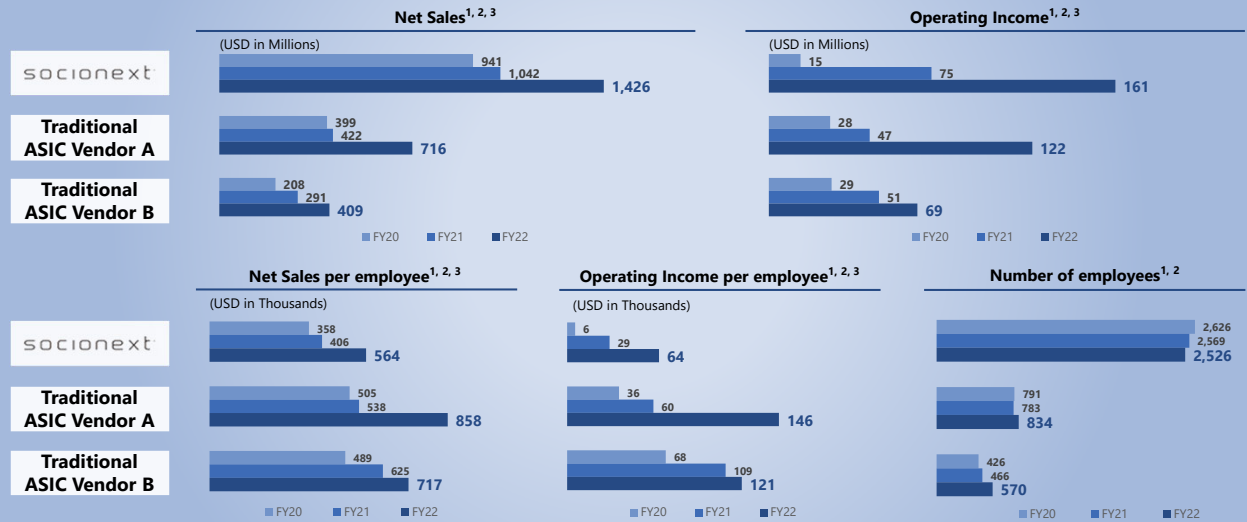


## 5G Networking



# Performance Comparison with Competitors (Traditional ASIC Vendors)

- We have improved net sales per employee and operating income per employee
- We will target further improvements in these metrics through the transformation of our R&D structure



1. Net sales, operating income and number of employees are based on data disclosed by each company. Net Sales and operating income were converted into USD using the average exchange rate for the respective fiscal years.  
 2. The fiscal year end for Socionext is March 31 and the fiscal year end for Traditional ASIC Vendor A&B is December 31.  
 3. Socionext has adopted Japan Generally Accepted Accounting Principals ("GAAP"), and Traditional ASIC Vendor A & B have adopted International Financial Reporting Standards ("IFRS"). Accordingly, the figures shown above may not be comparable due to differences in accounting standards

SOCIONEXT™