

The logo for Socionext, featuring the word "socionext" in a white, lowercase, sans-serif font with a trademark symbol, set against a dark blue background that is part of a larger graphic element resembling a stylized arrow pointing right.

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3Q FY2025/3

# Consolidated Financial Results

January 31, 2025  
Socionext Inc.

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

### 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.



## **Consolidated Financial Results for the 9 Months Ended December 31, 2024**

- *Consolidated Financial Results 3Q FY2025/3*
- *Consolidated Earnings Forecast Full-Year FY2025/3*



## 3Q FY2025/3 Consolidated Statements of Income

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(Yen in billions)									
	FY2024/3				FY2025/3				
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	YoY	YoY %
<b>Net Sales</b>	<b>61.4</b>	<b>55.5</b>	<b>52.7</b>	<b>51.6</b>	<b>52.8</b>	<b>46.4</b>	<b>46.1</b>	<b>-6.6</b>	<b>-12.5%</b>
Product Revenue	52.9	48.5	40.5	40.9	42.3	37.7	35.0	-5.5	-13.5%
NRE Revenue	8.4	6.8	11.9	10.5	10.3	8.4	10.8	-1.1	-8.9%
Others	0.1	0.2	0.2	0.2	0.2	0.3	0.2	-0.0	-17.5%
<b>Cost of Sales</b>	<b>34.5</b>	<b>28.2</b>	<b>24.6</b>	<b>23.9</b>	<b>22.9</b>	<b>22.2</b>	<b>20.6</b>	<b>-4.0</b>	<b>-16.3%</b>
Product Cost Ratio	65.2%	58.2%	60.8%	58.4%	54.3%	59.1%	58.8%		
<b>Selling, General and Administrative Expenses</b>	<b>16.8</b>	<b>18.7</b>	<b>18.8</b>	<b>20.2</b>	<b>19.6</b>	<b>18.9</b>	<b>20.4</b>	<b>+1.6</b>	<b>+8.6%</b>
R&D	12.2	12.5	13.6	15.0	15.0	13.8	15.6	+2.0	+14.6%
SG&A (excl. R&D)	4.7	6.3	5.1	5.1	4.6	5.1	4.7	-0.4	-7.5%
<b>Operating Income</b>	<b>10.1</b>	<b>8.6</b>	<b>9.3</b>	<b>7.6</b>	<b>10.3</b>	<b>5.3</b>	<b>5.1</b>	<b>-4.2</b>	<b>-44.9%</b>
Margin	16.5%	15.4%	17.6%	14.7%	19.4%	11.4%	11.1%		
<b>Profit</b>	<b>8.0</b>	<b>7.3</b>	<b>5.0</b>	<b>5.8</b>	<b>7.6</b>	<b>4.0</b>	<b>4.9</b>	<b>-0.1</b>	<b>-2.4%</b>
Margin	12.9%	13.2%	9.5%	11.3%	14.3%	8.6%	10.6%		
<b>FX Rate (USD/JPY)</b>	<b>137.4</b>	<b>144.6</b>	<b>147.9</b>	<b>148.6</b>	<b>155.9</b>	<b>149.4</b>	<b>152.4</b>		

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Here are the financial results of the third quarter of fiscal year ending March 2025 (3Q FY25/3).

Net sales were 46.1 billion yen, a decrease of 6.6 billion yen, or 12.5%, from the same quarter of previous fiscal year (3Q FY24/3).

Operating income was 5.1 billion yen, a decrease of 4.2 billion yen, or 44.9%.

The foreign exchange impact for net sales was a plus of 1.0 billion yen. For operating income, it was a plus of 500 million yen.

Profit was 4.9 billion yen, including non-operating income of 1.3 billion yen and tax payment of 1.6 billion yen.

Product revenue was 35.0 billion yen, a decrease of 5.5 billion yen, or 13.5%, from 3Q FY24/3.

Product revenue decreased by 5.5 billion yen, while the mass production of new products is progressing as expected. It was mainly due to decrease of demand for Data Center & Networking in China.

By region, the decrease was mainly in China.

NRE revenue was 10.8 billion yen, a decrease of 1.1 billion yen.

Proportion of revenue in Japan, such as for high-end camera, was high in this quarter, while proportion of U.S. automotive business was high in the same quarter of previous fiscal year.

Overall, NRE revenue decreased slightly.

Operating income was 5.1 billion yen, a decrease of 4.2 billion yen, or 44.9%.

Product gross profit decreased mainly due to decrease in demand and product sales of telecommunications equipment in China, and R&D expenses increased due to progress in advanced technology projects, resulting in decrease of operating income.

# 1-3Q FY2025/3 Consolidated Statements of Income

(Yen in billions)

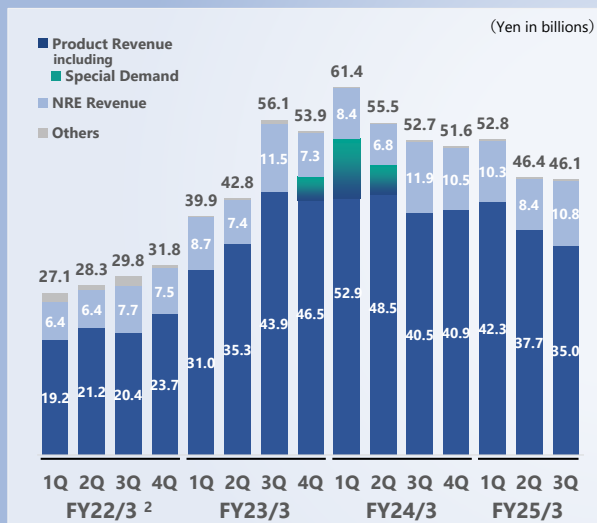
	FY2024/3	FY2025/3		
	1-3Q	1-3Q	YoY	YoY %
<b>Net Sales</b>	<b>169.6</b>	<b>145.3</b>	<b>-24.4</b>	<b>-14.4%</b>
Product Revenue	142.0	115.0	-27.0	-19.0%
NRE Revenue	27.1	29.6	+2.5	+9.2%
Others	0.6	0.7	+0.1	+16.9%
<b>Cost of sales</b>	<b>87.4</b>	<b>65.8</b>	<b>-21.6</b>	<b>-24.7%</b>
Product Cost Ratio	61.5%	57.2%		
<b>Selling, General and Administrative Expenses</b>	<b>54.3</b>	<b>58.8</b>	<b>+4.5</b>	<b>+8.2%</b>
R&D	38.3	44.4	+6.1	+16.1%
SG&A (excl. R&D)	16.1	14.4	-1.7	-10.4%
<b>Operating Income</b>	<b>27.9</b>	<b>20.7</b>	<b>-7.3</b>	<b>-26.1%</b>
Margin	16.5%	14.2%		
<b>Profit</b>	<b>20.3</b>	<b>16.5</b>	<b>-3.8</b>	<b>-18.8%</b>
Margin	12.0%	11.3%		
<b>FX Rate (USD/JPY)</b>	<b>143.3</b>	<b>152.6</b>		

This slide shows the cumulative results for the 9 months ended December 31, 2024.

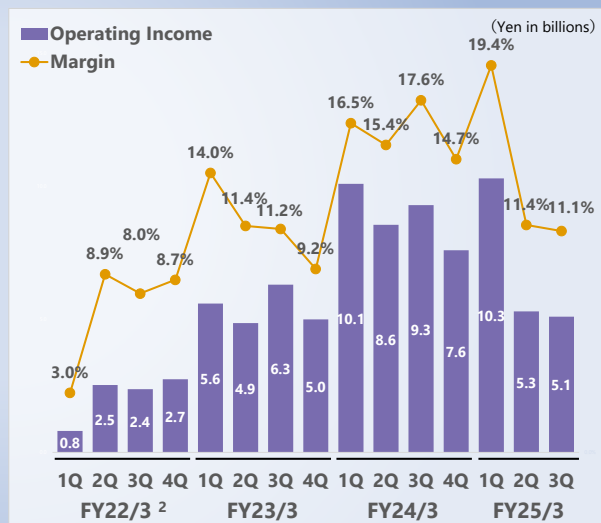
Net sales were 145.3 billion yen, a decrease of 24.4 billion yen, or 14.4%.

Operating income was 20.7 billion yen, a decrease of 7.3 billion yen, or 26.1%.

## 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

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This slide shows our historical net sales and operating income from 1Q FY22/3 to 3Q FY25/3.

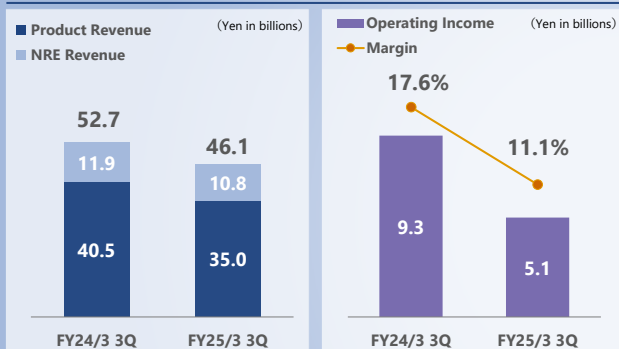
Product revenue decreased, while the mass production of new products is progressing as expected. It was mainly due to decrease of demand for Data Center & Networking in China.

NRE revenue remained on a high level, at 10.8 billion yen.

NRE revenue is for a deliverable from design and development activities and fluctuates from quarter to quarter.

But the year-on-year trend of NRE revenue remains gradually upward, as design wins of large-scale design projects in the advanced technology area continue to expand.

## Net Sales & Operating Income



### <Net sales> YoY -6.6 bn yen (-12.5%)

- Product revenue: -5.5 bn yen (FX impact +0.8 bn yen)
- NRE revenue: -1.1 bn yen (FX impact +0.2 bn yen)
- FX Impact: +1.0 bn yen (USD/JPY 147.9→152.4)

## Operating Income YoY Analysis



### <Operating income> YoY -4.2 bn yen (-44.9%)

- Gross profit from product revenue: -2.0 bn yen
- NRE revenue: -1.3 bn yen
- R&D, SG &A, etc.: -1.4 bn yen
- FX Impact: +0.5 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 year-on-year analysis of net sales and operating income for 3Q FY25/3, compared to the same quarter of previous fiscal year (3Q FY24/3).

Net sales were 46.1 billion yen, decrease of 6.6 billion yen, or 12.5% from 3Q FY24/3.

Product revenue decreased by 5.5 billion yen. NRE revenue decreased by 1.1 billion yen.

The foreign exchange impact was a plus of 1.0 billion yen.

Product revenue decreased by 5.5 billion yen, while the mass production of new products is progressing as expected. It was mainly due to decrease of demand for Data Center & Networking in China.

By region, the decrease was mainly in China, while there were slight increases in other regions.

Proportion of NRE revenue in Japan, such as for high-end camera, was high in this quarter, while proportion of U.S. automotive business was high in the same quarter of previous fiscal year.

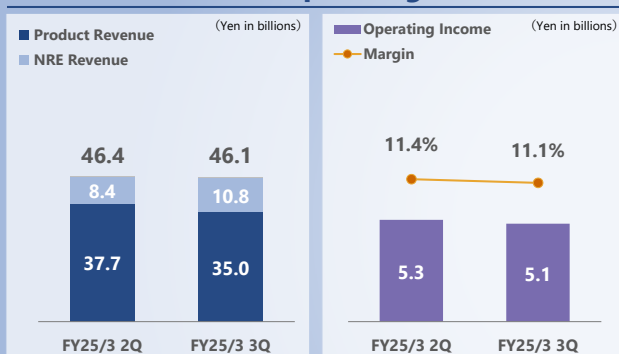
Overall, NRE revenue decreased slightly.

Operating income was 5.1 billion yen, a decrease of 4.2 billion yen, or 44.9%.

Product gross profit decreased (2.0 billion yen) mainly due to decrease in demand and product sales of telecommunications equipment in China, NRE revenue decreased (1.3 billion yen) from the high level of 3Q FY24/3, and R&D expenses increased (1.4 billion yen) due to progress in advanced technology projects, resulting in decrease of operating income.



## Net Sales & Operating Income



### <Net sales> QoQ -0.3 bn yen (-0.7%)

- Product revenue: -2.6 bn yen (FX impact 0.6 bn yen)
- NRE revenue: +2.4 bn yen (FX impact 0.1 bn yen)
- FX Impact: +0.7 bn yen (USD/JPY 149.4→152.4)

## Operating Income QoQ Analysis



### <Operating income> QoQ -0.2 bn yen (-3.5%)

- Gross profit from product revenue: -1.3 bn yen
- NRE revenue: +2.3 bn yen
- R&D, SG & A, etc.: -1.5 bn yen
- FX Impact: +0.3 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 quarter-on-quarter analysis of net sales and operating income for 3Q FY25/3, compared to the previous quarter (2Q FY25/3).

Net sales were 46.1 billion yen, a decrease of 300 million yen, or 0.7%.

Product revenue decreased by 2.6 billion yen, mainly due to decrease of demand for Data Center & Networking in China.

NRE revenue increased by 2.4 billion yen from the previous quarter.

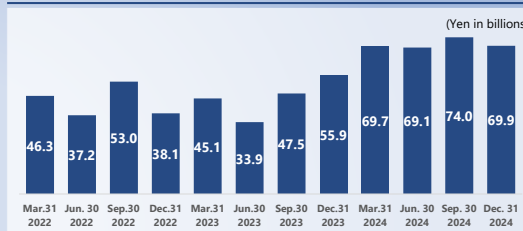
FX impact in this quarter was a plus of 700 million yen, for net sales.

Operating income was 5.1 billion yen, a decrease of 200 million yen, or 3.5%.

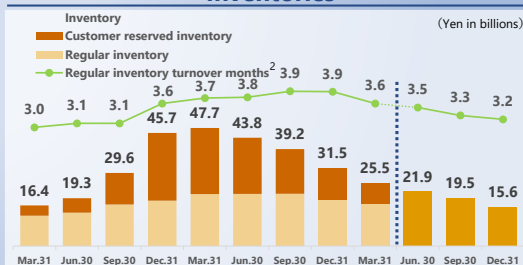
Product gross profit decreased (1.3 billion yen) mainly due to decrease in demand and product sales of telecommunications equipment in China, and R&D expenses increased (1.5 billion yen) due to progress in advanced technology projects. However operating income was almost same as previous quarter, as NRE revenue increased.

	As of Mar.31,2024	As of Dec. 31,2024	Change
(Yen in billions)			
<b>Total Assets</b>	186.8	<b>168.6</b>	-18.2
<b>Total Current Assets</b>	138.9	<b>123.7</b>	-15.2
Cash on-hand and in banks	69.7	<b>69.9</b>	+0.2
Accounts receivable-trade	35.3	<b>30.2</b>	-5.1
Inventories <sup>1</sup>	25.5	<b>15.6</b>	-9.9
Accounts receivable-other	2.9	<b>2.5</b>	-0.5
<b>Total non-Current Assets</b>	47.9	<b>45.0</b>	-3.0
<b>Total Liabilities</b>	55.8	<b>34.2</b>	-21.6
<b>Total Current Liabilities</b>	53.1	<b>32.1</b>	-21.0
Accounts payable-trade	15.8	<b>11.4</b>	-4.4
Accounts payable-other	9.3	<b>7.6</b>	-1.8
Liabilities related to changeable subcontracting	9.3	<b>1.5</b>	-7.8
<b>Total Net Assets</b>	131.0	<b>134.4</b>	+3.4
<b>Shareholders' Equity Ratio</b>	70.1%	79.7%	

## Cash on Hand and in Banks



## Inventories



1. Inventories consist of finished goods and work in process  
 2. Regular inventory turnover months = Ratio of "ordinary inventories balance" and "Cost of Sales average of forecast for next 3 months"

\* From this fiscal year, sum of "Customer reserved inventory" and "Regular inventory" is disclosed as "Inventory"  
 \* Inventory turnover months = Ratio of "inventories balance" and "Cost of Sales average of forecast for next 3 months"

This slide shows the balance sheet as of the end of 3Q FY25/3.

Total assets were 168.6 billion yen, a decrease of 18.2 billion yen from the end of FY24/3.

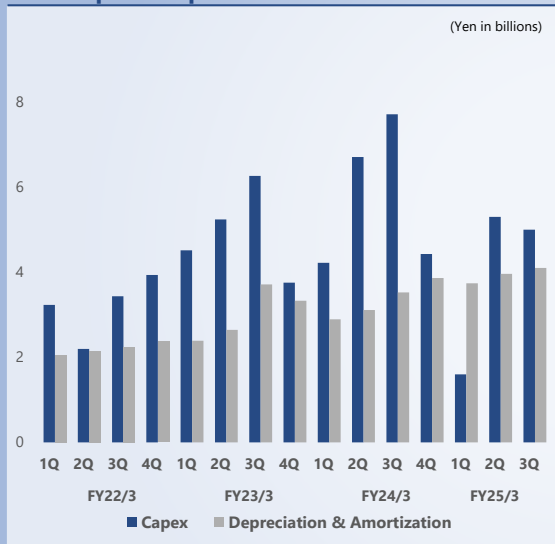
Total liabilities were 34.2 billion yen, a decrease of 21.6 billion yen, and total net assets were 134.4 billion yen, an increase of 3.4 billion yen, from the end of FY24/3.

Factors for the 18.2 billion yen decrease of total assets include collection of account receivables and decrease in inventories, among others.

Cash on-hand and in banks increased by 200 million yen although there were payments of income tax, dividends, and purchase of treasury stocks.

As for the inventories, we expect that the number of turnover months to decrease continuously.

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

## Cash Flow<sup>2</sup>



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This slide shows capital expenditures and cash flow.

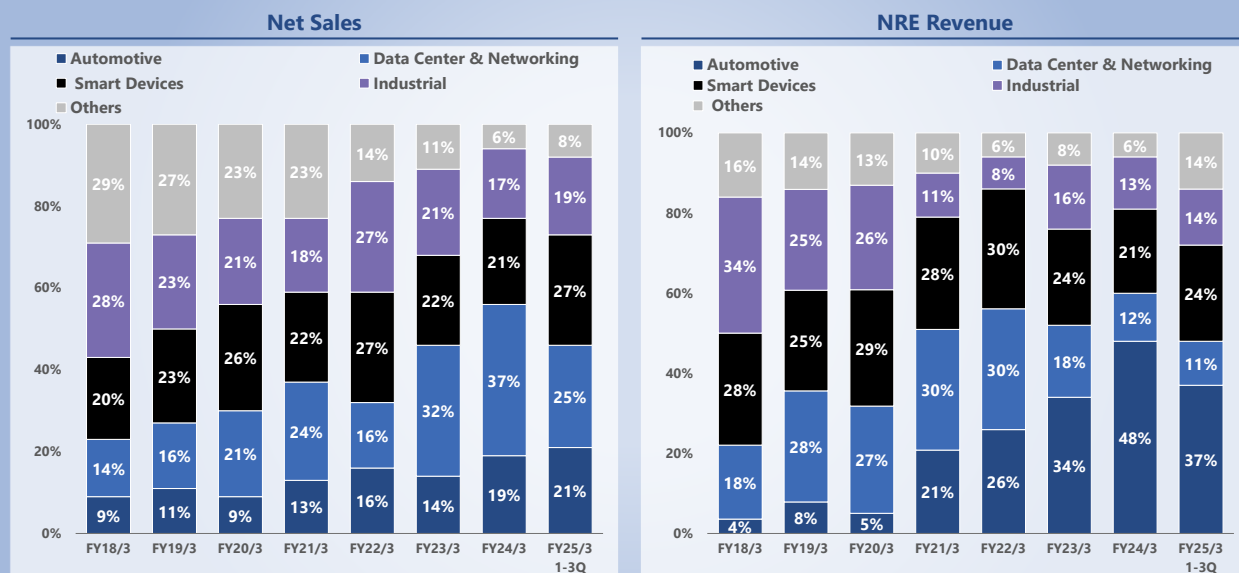
As for Capex in 3Q FY25/3, we continue our investment in reticles and IPs for increase in new advanced technology projects, as well as in storage and semiconductor testers to strengthen design and development environment.

Therefore, depreciation & amortization are also increasing.

Operating cash flow was positive mainly due to decrease in inventories.

As for investment cash flow, we continue to invest in new advanced technology projects and business growth.

Free cash flow was positive as operating cash flow exceeded investment cash flow while we are increasing our investment.



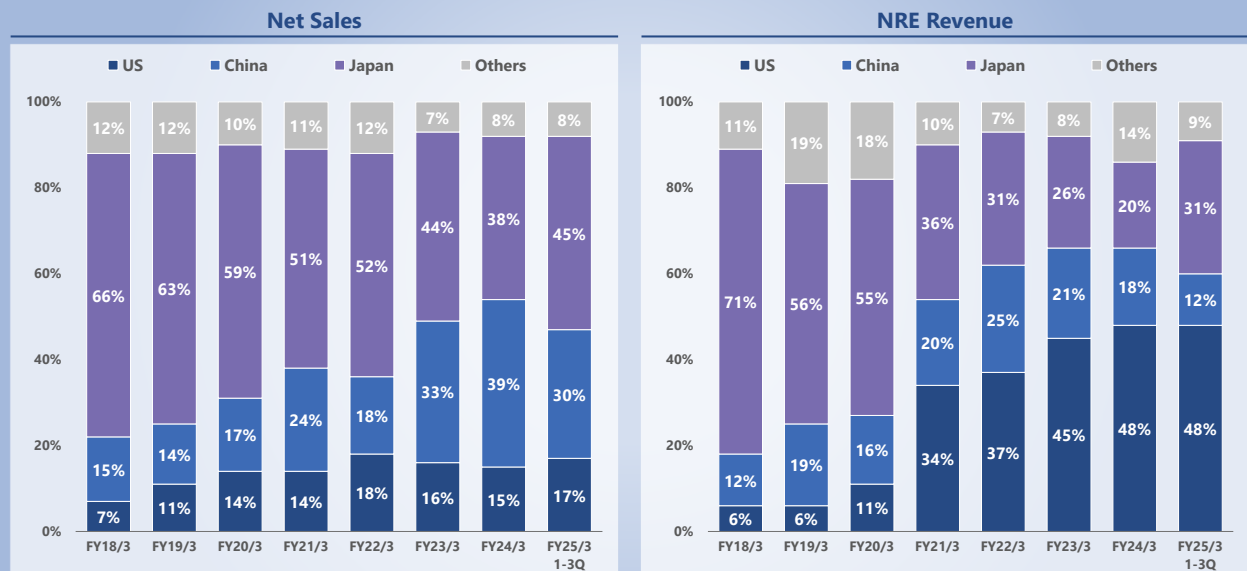
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This slide shows the breakdown of net sales and NRE revenue by application market.

As for net sales, the proportion of Data Center & Networking is declining, due to the decrease in sales of telecommunication equipment in China, including Special Demand product.

As for NRE revenue, the proportion of Automotive was close to 50% in previous fiscal year. This year, the proportion of Smart Devices has become higher, mainly due to the increase in revenue from high-end camera projects.

Proportion of "Others" increased due to the completion of development projects for the medical business.



This slide shows the breakdown by geographic region.

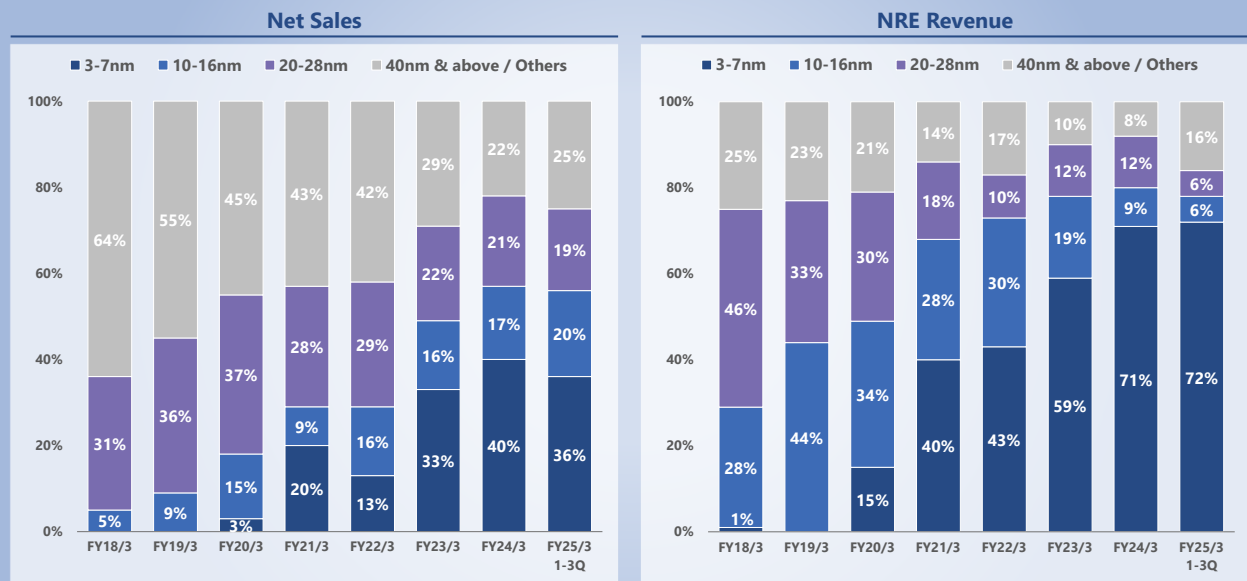
China accounted for 30% of the net sales in 1-3Q FY25/3, and was lower than the previous fiscal year.

This is mainly due to the end of special demand, as well as the overall decrease of demand in China.

On the other hand, proportion of Japan became higher, and accounted for 45% of the net sales.

As for NRE revenue, proportion of the U.S. continues to be high, at almost 50%.

Proportion of Japan has grown to 31%, mainly due to increase in revenue from high-end camera projects.



This slide shows the breakdown by process node.

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

"3-7nm" continues to account for more than 70% of total NRE revenue.

Proportion of "40nm & above / others" increased due to the completion of development projects for the medical business.

Please see the quarterly breakdown by application market, geographic region and process node on the later pages.

## Consolidated Earnings FY2025/3 Full-Year Forecast

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- The full-year forecasts for Net Sales and Operating Income have been revised downward by 5% and 11%, respectively, from previous forecast (October 2024)

	FY2024/3	FY2025/3	FY2025/3	(Yen in billions)	
	Full-Year Results	Full-Year Forecast as of Oct 2024	Full-Year Forecast as of Jan 2025	YoY	YoY %
<b>Net Sales</b>	221.2	200.0	<b>190.0</b>	-31.2	-14.1%
<b>Operating Income</b>	35.5	27.0	<b>24.0</b>	-11.5	-32.4%
Margin	16.1%	13.5%	<b>12.6%</b>		
<b>Profit</b>	26.1	19.5	<b>18.0</b>	-8.1	-31.1%
Margin	11.8%	9.8%	<b>9.5%</b>		
<b>Basic Earnings per Share<sup>1,3</sup></b>	148.39 yen	108.79 yen	100.83yen		
<b>Dividends per Share<sup>2,3</sup></b>	48.00 yen	50.00 yen	<b>50.00 yen</b>		
<b>FX Rate (USD/JPY)</b>	144.6 yen	141.3 yen	<b>146.9 yen</b>		

- FX rate for 4Q FY2025/3 is assumed to be USD/JPY=130.  
FX sensitivity for 4Q FY2025/3 is assumed to be (approx.) 0.2bn yen for Net Sales and 0.05 bn yen for Operating Income, to 1-yen change against USD, for the 3-month period.  
(As of October 2024, the sensitivity was 0.5 bn yen for Net Sales and 0.15 bn yen for Operating Income, for 2H)  
Impact of other currency is assumed to be negligible.

1. "Basic Earnings per Share" in FY2025/3 full-year forecast has been revised to reflect the change in the number of shares since April 2024. It is based on 176,119,044 shares for FY2024/3 results and FY2025/3 forecast as of April 2024, 179,239,208 shares for FY2025/3 forecast as of October 2024, and 178,511,134 shares for FY2025/3 forecast as of January 2025. This change is due to an exercise of stock option.
2. Estimated dividends per share for FY2024/3 was 42.00 yen as of April 2023 and 46.00 yen as of October 2023.
3. Basic earnings per share and dividends per share are calculated based on the number of shares after the stock split. The Company conducted a five-for-one stock split of shares of common stock held by shareholders listed or recorded in the final shareholders' register as of December 31, 2023.

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This slide shows the revised forecasts of consolidated earnings for FY25/3 full-year.

From the previous forecast, net sales are expected to be 190 billion yen, a decrease of 10 billion yen, or 5%. Operating income is expected to be 24 billion yen, a decrease of 3 billion yen, or 11%. Net profit is expected to be 18 billion yen, a decrease of 1.5 billion yen, or 8%.

Our assumption for foreign exchange rate for the full year has been changed to 146.9 yen to the U.S. dollar, reflecting the actual rate from April to December.

Our assumption for the fourth quarter is 130 yen to the U.S. dollar.

The foreign exchange sensitivity for the 3-month period in 4Q FY25/3 is expected to be approximately 200 million yen for net sales and 50 million yen for operating income, to one-yen change against the U.S. dollar.

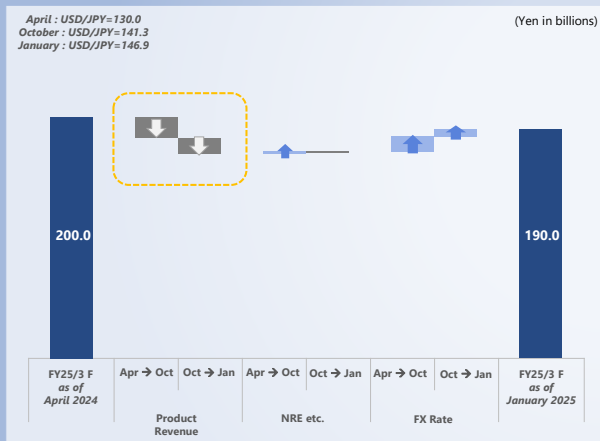
Net sales are expected to be lower than the previous forecast. Factors include demand for telecommunications equipment in China expected to be even lower than projected in October, as well as inventory adjustment at the customers expanding, although there is a favorable impact from foreign exchange rate.

Operating income is also expected to be lower than the previous forecast, mainly due to the decrease in net sales, despite the improvement in product cost as well as favorable impact from foreign exchange rate.

We plan to keep the dividend at 50 yen per share, as planned at the beginning of the fiscal year.

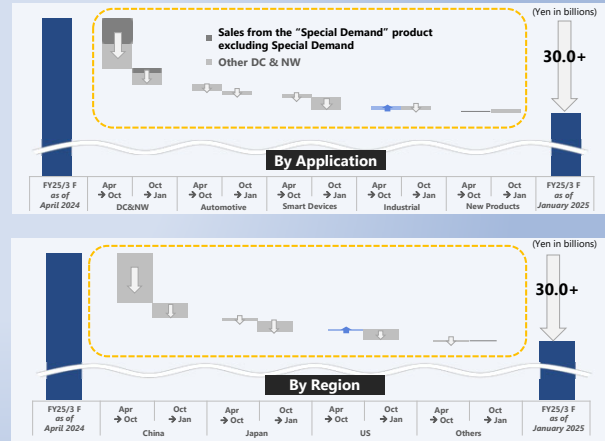
- Net Sales, substantially (excluding the FX impact), are expected to be 15%+ below Apr forecast and 5%+ below Oct forecast
  - By application: decreased mainly in Data Center & Networking
  - By region: decreased mainly in China

## Net Sales (vs. April / October 2024 Forecast)



➤ FX rate for 4Q FY2025/3 is assumed to be USD/JPY=130 (1Q-3Q FY2025/3: USD/JPY=152.6)

## Product Revenue (vs. April / October 2024 Forecast)



➤ To clearly show the factors of product revenue fluctuation, "substantial fluctuation", excluding the impact of FX, is calculated by assuming the rate of USD/JPY=130

16

This slide shows the difference between the latest and the previous forecasts in April and in October. Each item is divided into the portion incorporated in the previous October forecast (bar graph on the left) and the portion incorporated in the current forecast (bar graph on the right).

Net sales are expected to be 190 billion yen, a decrease of 10 billion yen from the October forecast.

A decrease in product sales of slightly more than 5% is factored in, although there is a favorable impact from foreign exchange rate.

The charts on the right show the factors for increase and decrease in product revenue, excluding the foreign exchange impact.

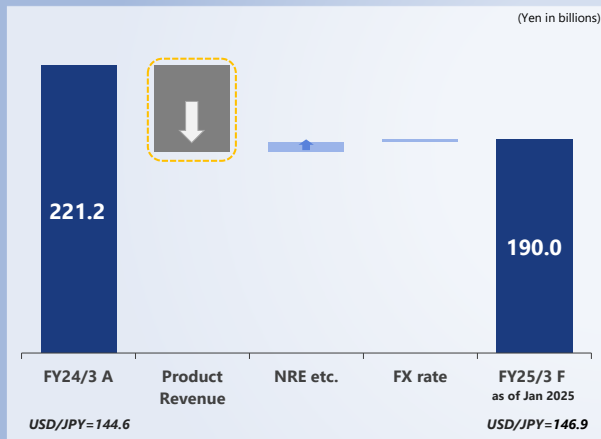
Product revenue is expected to be further lower than the previous forecast. Factors include demand for telecommunications equipment in China expected to be even lower than projected in October, as well as inventory adjustment at the customers expanding.

NRE revenue is expected to be almost the same as the previous forecasts.



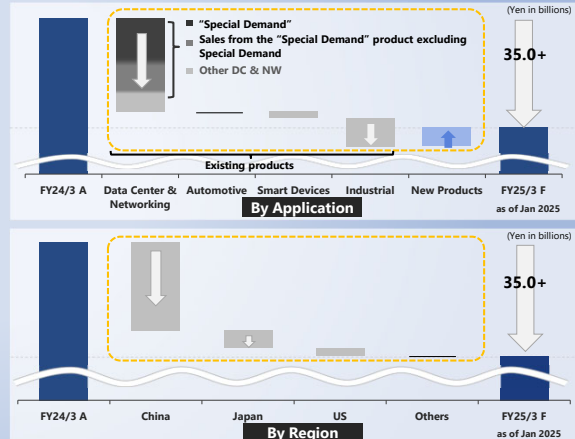
- Product revenue expected to decrease due to: mainly weak demand for Data Center & Networking in China, weak demand for FA and office equipment, in addition to end of Special Demand. Decrease is mainly in China
- NRE expected to increase slightly as product developments in advanced areas continue to progress

## Net Sales (vs. FY2024/3 results)



➤ FX rate for 4Q FY2025/3 is assumed to be USD/JPY=130 (1Q-3Q FY2025/3: USD/JPY=152.6)

## Product Revenue (vs. FY2024/3 results)



➤ To clearly show the factors of product revenue fluctuation, "substantial fluctuation", excluding the impact of FX, is calculated by assuming the rate of USD/JPY=130

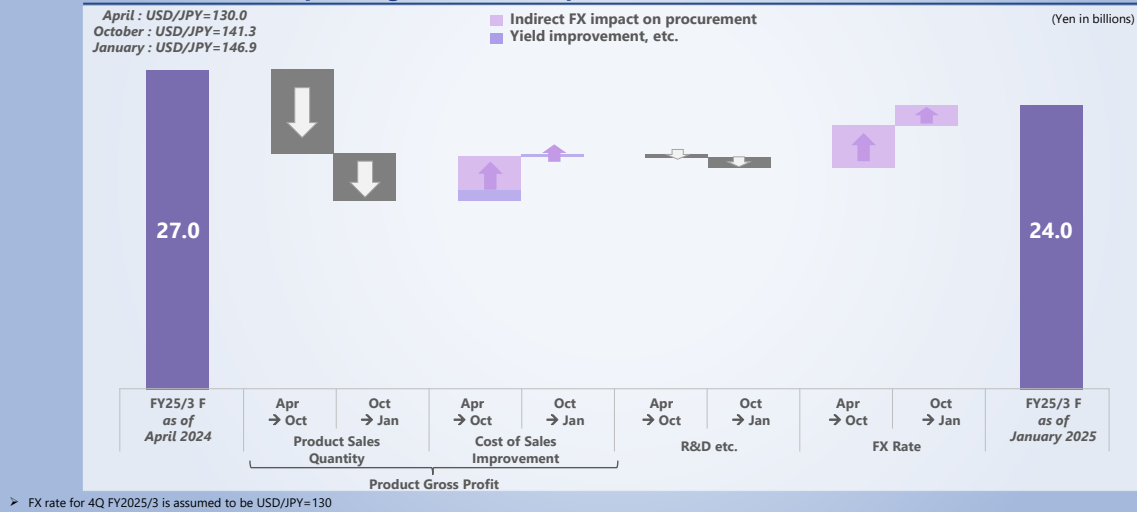
This slide shows the difference between the latest and the results of previous fiscal year, FY24/3, for net sales.

Mass production of new products have been ramping up smoothly, however, the net sales are expected to decline due to a decrease in demand for telecommunications equipment in China.

## Operating Income FY2025/3 Full-Year Forecast (vs. Apr and Oct 2024 Forecasts)

- Operating Income expected to decrease by 3 billion yen from Apr / Oct forecast due to decrease in sales, despite positive factors including Gross Profit increase (by improvement of Cost of Sales) and FX impact

### Operating Income (vs. April and October 2024 Forecasts)



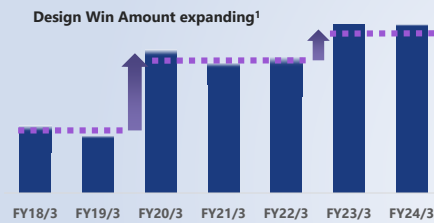
18

This slide shows the difference between the latest forecast and the initial forecast in April, for operating income.

Operating income is also expected to be lower than the previous forecast by about 3 billion yen, mainly due to the decrease in net sales, as described in the previous page, despite the improvement in product cost as well as favorable impact from foreign exchange rate.

- Net Sales for FY25/3~26/3, substantially (excluding FX impact), expected to decrease by approximately 15%+ from FY24/3 results and FY25/3 forecast (as of April 2024), due to factors including end of Special Demand and weak Chinese market. Growth should be accelerated again, as automotive projects awarded in recent years enter mass production.

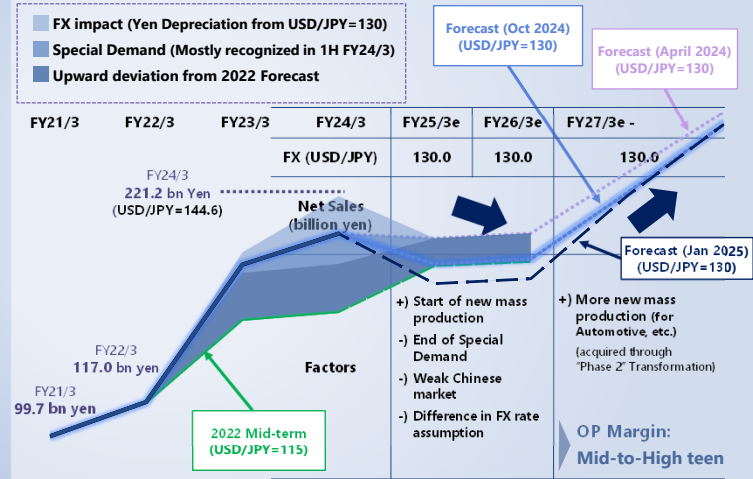
## Sales growth mechanism



- Net sales for FY23/3 and FY24/3 increased significantly due to Special Demand and other positive factors
- There is an impact from factors including weak demand in China telecom business, but another accelerated growth is expected in and after FY2027/3, as new projects enter mass production

## Net sales achievement and forecast<sup>2,3</sup>

Jan 2025 forecast considering the possibility of decrease in "substantial" Net Sales



- Refer to page 3
- Net Sales for FY2021/3 and FY2022/3 were based on actual FX rate at the time. The upper line chart assumes USD/JPY=130 in FY2023/3 and beyond, to show mid- and long-term growth trend. The lower line chart is Net Sales estimate in 2022 mid-term plan, re-calculated by USD/JPY=115. Upward deviation is calculated using this recalculated Net Sales estimate. At the time of 2022 mid-term plan, Assumption was USD/JPY=125 for FY2023/3, and USD/JPY=115 for the rest.
- This slide is from Q1 FY2025/3 presentation, with updated Net Sales forecast for FY2025/3 and beyond. Although our assumptions for FX rate for FY2025/3 and beyond has been revised, this table is based on figures calculated by assuming USD/JPY=130 to show the trend.

19

This slide shows the future sales growth trend.

To reflect the latest product revenue forecast, a revised line (dark blue and dotted) has been added to the graph on the right, taking into account the possibility of revenue decline in substantial term.

In and after FY27/3, we expect to be back on growth track, driven by Automotive and Data Center projects that have been acquired so far. There is no change in this outlook so far.

# Operating Margin Trend and Outlook for Future

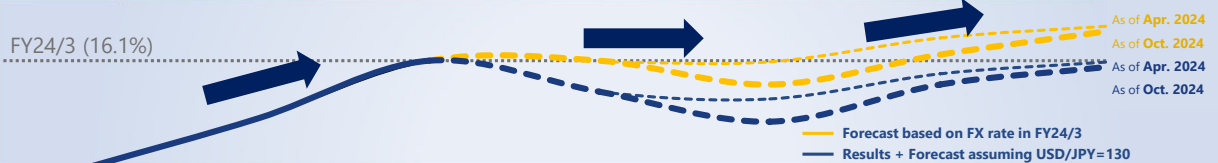
socionext

Copied from  
FY25/3 2Q presentation

- OP margin expected to grow again in FY2027/3 and beyond as product revenue increases though substantial figures (excl. FX impact) are expected to remain flat or decrease in FY25/3~26/3, after the growth since FY22/3

## OP margin trend after FY2022/3

FY24/3 (16.1%)



	~ FY23/3	FY24/3	FY25/3	FY26/3	FY27/3~
Product Gross Margin	↓	↑	<ul style="list-style-type: none"> <li>Improvement due to indirect FX impact on procurement (+)</li> </ul>	<ul style="list-style-type: none"> <li>Less indirect FX impact on procurement (-)</li> <li>Changes in product mix (-)</li> </ul>	<ul style="list-style-type: none"> <li>Large-scale Design Wins (-)</li> </ul>
R&D ratio	<ul style="list-style-type: none"> <li>R&amp;D ratio improved by increase in product revenue</li> <li>R&amp;D efficiency improved while total expense increased</li> </ul>		<ul style="list-style-type: none"> <li>Baseline trend is mostly flat</li> <li>Expense will increase by advance development and R&amp;D team structure improvement</li> <li>Increase of advance investment in leading edge technologies from FY25/3 to FY26/3 (-)</li> </ul>		<ul style="list-style-type: none"> <li>R&amp;D and SG&amp;A ratio will improve due to increase in Net Sales, while total R&amp;D and SG&amp;A expenses are on increasing trend</li> </ul>
SG&A ratio	<ul style="list-style-type: none"> <li>SG&amp;A ratio improved by increase in net sales</li> </ul>				
FX rate (USD/JPY)	112.4	135.5	144.6	130.0	

Arrows indicate direction of impact on OP margin

20

This slide shows the trend and future outlook of the operating margin.

The percentage might decline (both in FY 25/3 and 26/3) due to the decrease in product revenue, but the basic trend is expected to be the same as the outlook so far.

# Market Trend, Background of FY2025/3 Forecast and Outlook for FY2026/3 & Beyond

## Market Trend / Design Win Status



### Automotive

- Innovation continues for ADAS (Advanced Driver Assistance System) and AD (Autonomous Driving)
- Business opportunities remain active for high-performance computing, as well as for zone computing and sensing



### Data Center & Networking

- Demand for SoCs for cloud services continues to expand
- Design Wins acquired for data center businesses in the US and India



### Smart Devices

- Demand for new technologies remains strong, driven by AI
- Development projects continue with advanced customers, in applications including computer vision



### Industrial

- Demand for Solution SoC business with advanced technologies is expanding, with use of AI and networking
- Business opportunities are increasing for large-scale SoCs for FA and testers, as well as chips incorporating RF-CMOS technologies
- Rapid recovery in product demand is unlikely, but the demand is expected to bottom out in 2H of FY25/3 through 1H of FY26/3, followed by gradual growth

### Recent Design Win :

- Aiming to exceed previous year's level (250 bn yen) for the full-year, on steady pace
- By Application: Data Center & Networking accounted for more than 50%, followed by Automotive
- By Region: US is more than 50%, followed by Asia

## FY2025/3 Forecast

**Net sales to decrease by approx. 15% from FY24/3, in line with the initial forecast.**

### Product Revenue

- Sales from products which entered mass-production are in line with the forecast. But demand for China telecom products declined, and demand for Industrial equipment remained also weak due to continued customer inventory adjustment. As for full-year, Net Sales in substantial terms (excluding FX impact), will be lower than the previous year, mainly due to end of Special Demand
- Application market:
  - **Automotive:** Some customers requested to delay shipment
  - **Data Center & Networking:** Mass production started for new Data Center product, but sales expected to decline due to end of Special Demand (~15.0 bn yen) as well as weak demand in China telecom market
  - **Smart Devices:** Some customers requested to delay shipment
  - **Industrial:** Mass production started for new measurement equipment product, but sales expected to decrease due to inventory adjustment as well as actual weak demand for FA and office equipment
- Geographic region : Shipments to China, Japan, and the US are delayed due to inventory adjustments
- China : Sales expected to decline further from initial forecast due to end of Special Demand and decrease in demand of telecom business. Although there is increase in demand for some products including those newly entered mass production.
- US/Japan : Some customers requested to delay shipment

### Operating Income

- Operating Income to decrease by 3 bn yen from the initial forecast, due to lower product sales and gross profit, despite positive factors including FX impact and cost improvement

### FX Assumptions for 4<sup>th</sup> quarter

USD/JPY=130  
FX sensitivity: Sales: 2 bn yen / OP: 0.5 bn yen

## FY2026/3 & beyond Outlook

### Product Revenue

- FY26/3 :
  - Expected to be lower than initial forecast by approx. 15% (to be the same level as FY25/3) while further assessment is necessary
  - Sales increase from new mass production expected to continue
  - Demand from China telecom business will continue to be weak (Demand from FY23 ~ 24/3 may have been front-loaded)
  - Weak demand for industrial equipment may also continue
  - Demand fluctuations to be carefully monitored, for each of Automotive HPC SoC products entering mass production
- FY27/3 & beyond :
  - With Design Wins acquired in the recent years, sales growth expected as these projects enter mass production
  - Automotive : New mass production will start for ADAS/AD SoCs from FY26 through 27/3
  - Industrial : Demand will expand as inventory adjustment level off; Demand for testers will increase as demand for large-scale SoCs increase
  - Data Center & Networking : Data Center Business in the US expected to contribute to growth

### NRE Revenue

- New design wins in focus areas contribute to the increase
- FY26/3 revenue expected to be at the same level as FY25/3, although in the increasing trend



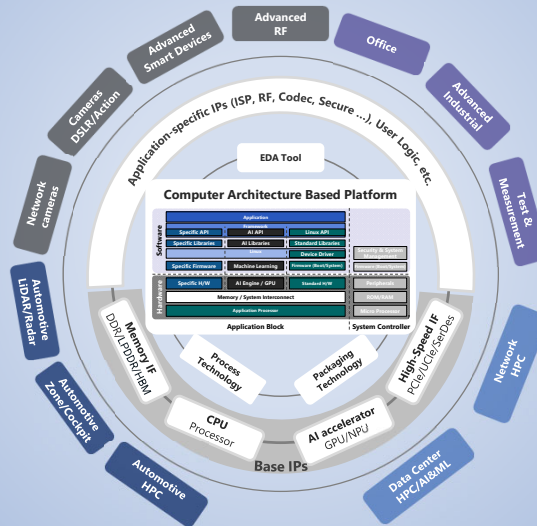
- **Aggressive investment in leading-edge technologies for further growth**
- **Accelerate "Growth-Oriented"**

## Smart Devices

- Demand for new technologies in smart devices area continues to be strong due to expanding use of AI
- Business opportunities active with advanced customers, in applications including computer vision, AR etc.
- Leverage Solution SoC business model and deliver bespoke SoCs required in most advanced applications

## Automotive

- Innovation continues for ADAS and AD
- Demand continue to be strong for HPC, as well as for zone computing and sensing
- Business opportunities remain active
- Involved in most advanced bespoke SoC projects in the world
- Leverage Solution SoC business model and establish certain presence in the industry
- Pursue most advanced process nodes
  - Use of 3nm process for automotive (October 2023)
- Continue investing in leading-edge technologies (Chiplet, 3D packaging, 2nm...)



## Industrial

- Demand expanding for Solution SoC business model with advanced technologies, due to expanding use of AI and networking
- Business opportunities increasing, for FA and measurement equipment, as well as for custom SoCs using RF-CMOS technologies
- Leverage Solution SoC business model and deliver bespoke SoCs with advanced process nodes, RF-CMOS technology, etc.

## Data Center & Networking

- Demand expanding for Data Center & Networking, cloud service SoCs due to increasing demand for generative AI
- More new design wins expected to expand in the U.S.
- One of few companies in the world with CPU development experience and expertise; aim for business expansion with Solution SoC model
- Continue pursuing leading-edge technologies and process nodes; strengthen and utilize Entire Design capability
- Strengthen partnership with leading IP vendors
- Strengthen R&D team structure and capability in US, globally
- Continue investing in leading-edge technologies (Chiplet, 3D packaging, 2nm,...)

## Will continue strengthening technology capabilities and R&D structure for future growth, in FY25/3 and 26/3

### Socionext's Initiatives

#### Advance investment for leading-edge technologies

- Promoting development of testing for 2nm node, in combination with chiplet technologies
- Implementing advanced packaging technologies: 3D and new die-to-die connection
- Utilizing leading-edge technologies in new application areas (strengthening partnership with customers)

#### Strengthening design capabilities for Solution SoC model

- Further strengthen capabilities for high-reliability design for new package/assembly technologies including 3D, including those for testing, thermal analysis and in-die analysis
- Collaborate with EDA vendors to incorporate AI into FE and BE design processes proactively

#### Increasing engineers in the US, India etc.

#### Considering introduction of new stock-based compensation system<sup>1</sup>

- To attract and secure talented engineering and management personnel
- Will acquire treasury stock, considering the possibility of using the shares to be granted

### Technology Trend

#### Into the era of 3D and Chiplets

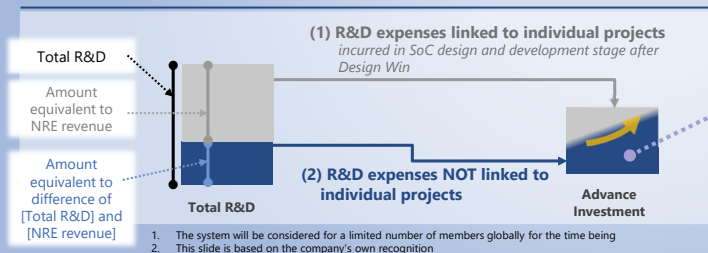
- Evolution of chiplets (Homogeneous >>> Heterogeneous)
- Advancement in process node also continues (2nm / 1.x nm)

#### Design becoming more complex

- Difficulties increase for "Entire Design", to cover from operation of the system, thermal design, assembly and testing
- Entire Design is becoming more important

#### New EDA tool, expanded use of AI

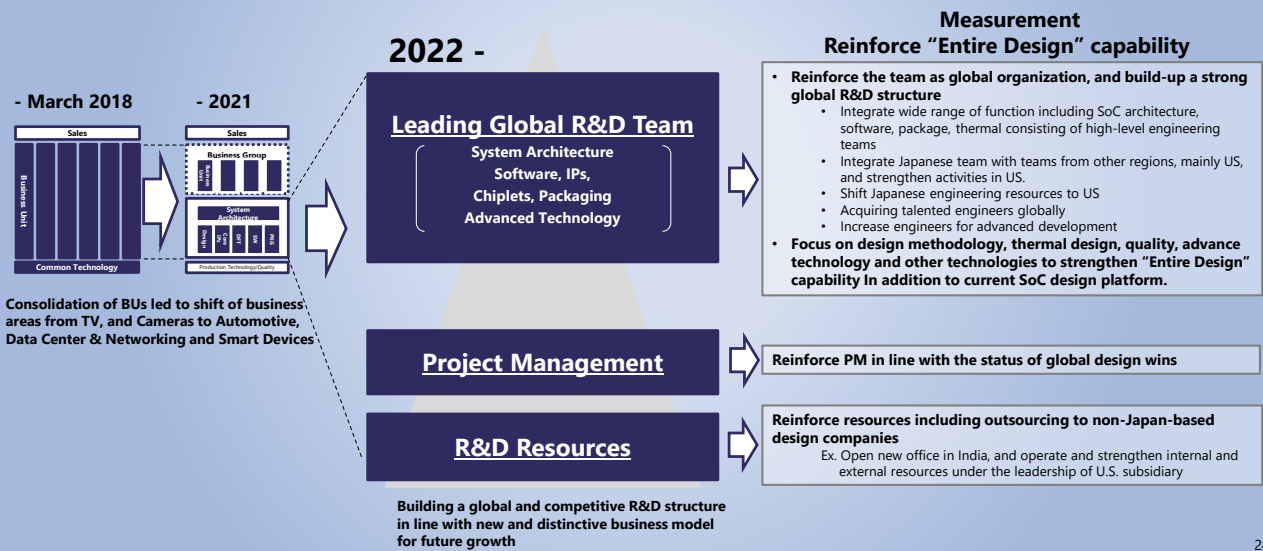
### R&D cost structure of Socionext



### Advance Investment (showing trend --- not exact figures)



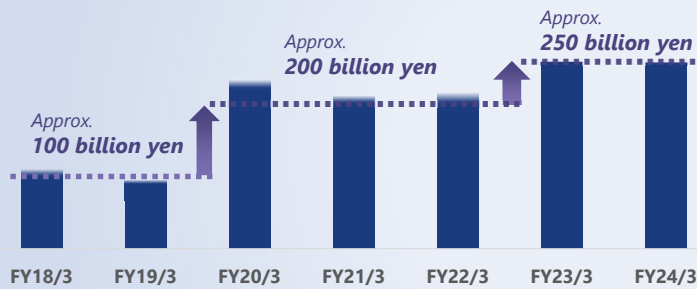
- Rebuilding global R&D structure in line with the change of primary business areas and the business model
- Reinforcing flexible and scalable “Solution SoC” development platform





- “Design Win Amount<sup>1</sup>” has more than doubled through transformation since 2018. Amount was approx. 250 billion yen in FY2024/3, the same level as in FY2023/3.
- Acquisition of Design Wins in the first half of FY2025/3 has been progressing smoothly

## “Design Win Amount<sup>1</sup>” (LTR) acquired in each fiscal year



### Recent Design Wins

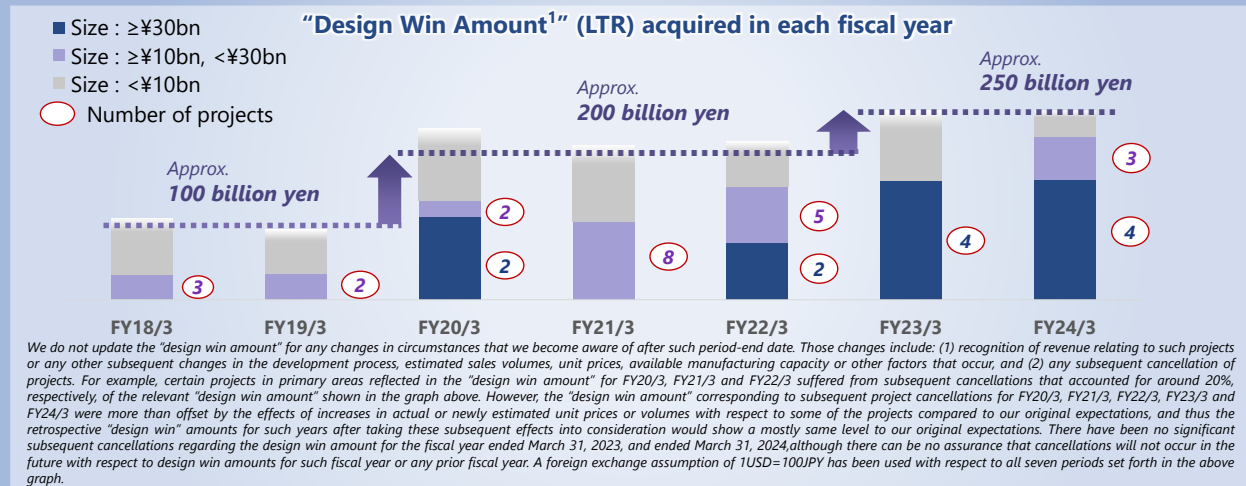
- Aiming for more than previous year's level (250 B yen); Acquisition of design wins in 1H FY25/3 has been progressing smoothly
- By application:  
Data Center & Networking account for more than 50%, followed by Automotive
- By region:  
The US is more than 50%, followed by Asia

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 FY20/3, FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for around 20%, respectively, of the relevant “design win amount” shown in the graph above. However, the “design win amount” corresponding to subsequent project cancellations for FY20/3, FY21/3, FY22/3, FY23/3 and FY24/3 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 mostly same level to our original expectations. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, and ended March 31, 2024, 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 seven 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.

# Increase in the ratio of large-scale Design Wins

- Large-scale Design Wins have been increasing both in numbers and total amounts  
Significant portion of future product shipments is expected to come from large-scale projects, which will improve our business efficiency



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.

## Appendix:

### Overview

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



# FY25/3 Consolidated Statements of Income

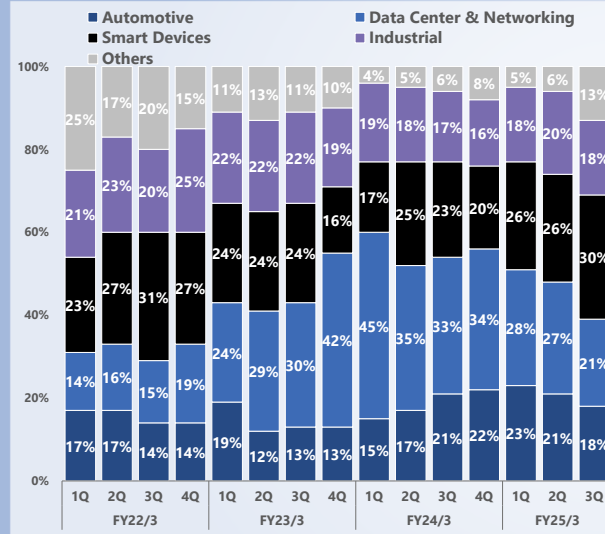
(Yen in billions)	FY21/3	FY22/3	FY23/3	FY24/3	FY25/3 YT3Q	FY25/3E
Net Sales	99.7	117.0	192.8	221.2	145.3	190.0
% YoY	-4%	+17%	+65%	+14.8%	-14.4%	-14.1%
Product Revenue	73.1	84.6	156.8	182.9	115.0	-
NRE Revenue	23.0	28.1	34.9	37.6	29.6	-
Other Revenue	3.6	4.3	1.1	0.8	0.7	-
Cost of Goods Sold	(43.2)	(49.8)	(103.9)	(111.2)	(65.8)	-
Gross Profit	56.5	67.3	88.8	110.0	79.5	-
% Margin	56.7%	57.5%	46.1%	49.7%	54.7%	-
% Product Gross Margin	40.1%	41.1%	33.7%	39.2%	42.8%	-
R&D	(39.2)	(43.2)	(49.3)	(53.3)	(44.4)	-
Selling, General and Administrative Expenses (excl. R&D)	(15.8)	(15.6)	(17.8)	(21.2)	(14.4)	-
Operating Income	1.6	8.5	21.7	35.5	20.7	24.0
% Margin	1.6%	7.2%	11.3%	16.1%	14.2%	12.6%
Non-Operating Income (Loss)	0.4	0.6	1.8	1.6	0.4	-
Ordinary Profit	2.0	9.1	23.4	37.1	21.1	-
Extraordinary Income (Loss)	0.0	0.0	0.0	0.0	1.8	-
Profit before Income Taxes	2.0	9.1	23.4	37.1	22.9	-
Income Taxes	(0.5)	(1.6)	(3.7)	(11.0)	(6.4)	-
Profit	1.5	7.5	19.8	26.1	16.5	18.0
% Margin	1.5%	6.4%	10.3%	11.8%	11.3%	9.5%
FX Rate (USD/JPY)	106.1	112.4	138.7	144.6	152.6	146.9

# Consolidated Balance Sheets

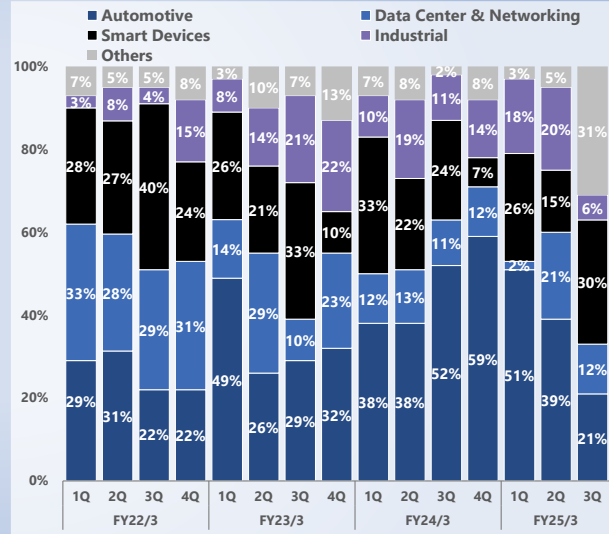
(Yen in billion)	FY21/3	FY22/3	FY23/3	FY24/3	FY25/3 3Q		FY21/3	FY22/3	FY23/3	FY24/3	FY25/3 3Q
Assets						Liabilities and Equity					
Cash on-hand and in banks	42.7	46.3	45.1	69.7	69.9	Accounts Payable-trade	12.0	16.6	23.4	15.7	11.4
Accounts receivable-trade, net	28.6	25.1	40.8	35.3	30.2	Accrued Expenses	7.4	6.9	30.3	18.2	12.9
Inventories <sup>1</sup>	6.7	16.4	47.7	25.5	15.6	Others	1.9	3.9	28.6	19.1	7.8
Others	2.6	2.9	22.4	8.4	8.0						
<b>Total Current Assets</b>	<b>80.6</b>	<b>90.6</b>	<b>156.1</b>	<b>138.9</b>	<b>123.7</b>	<b>Total Current Liabilities</b>	<b>21.3</b>	<b>27.4</b>	<b>82.3</b>	<b>53.1</b>	<b>32.1</b>
Property, Plant and Equipment	8.9	11.6	17.2	21.8	22.1	<b>Total Non-current Liabilities</b>	<b>1.3</b>	<b>1.4</b>	<b>1.7</b>	<b>2.7</b>	<b>2.1</b>
Reticle	3.7	4.7	5.6	8.1	9.4	<b>Total Liabilities</b>	<b>22.6</b>	<b>28.8</b>	<b>84.1</b>	<b>55.8</b>	<b>34.2</b>
Others PP&E	5.2	6.9	11.6	13.7	12.7	Common Stock	30.2	30.2	30.2	32.7	32.9
Intangible Assets	11.6	12.2	13.0	18.5	17.0	Capital Surplus	30.2	30.2	30.2	32.7	32.9
Deferred Tax Assets	2.3	3.1	6.9	6.7	4.9	Retained Earnings	21.4	28.9	48.6	63.6	71.1
Others	0.9	0.8	0.8	0.9	1.0	Treasury Stock	0.0	0.0	0.0	0.0	(5.0)
						Others	(0.1)	0.3	0.8	2.0	2.5
<b>Total Non-current Assets</b>	<b>23.7</b>	<b>27.8</b>	<b>37.9</b>	<b>47.9</b>	<b>45.0</b>	<b>Total Equity</b>	<b>81.7</b>	<b>89.6</b>	<b>109.9</b>	<b>131.0</b>	<b>134.4</b>
<b>Total Assets</b>	<b>104.2</b>	<b>118.4</b>	<b>193.9</b>	<b>186.8</b>	<b>168.6</b>	<b>Total Liabilities and Equity</b>	<b>104.2</b>	<b>118.4</b>	<b>193.9</b>	<b>186.8</b>	<b>168.6</b>

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

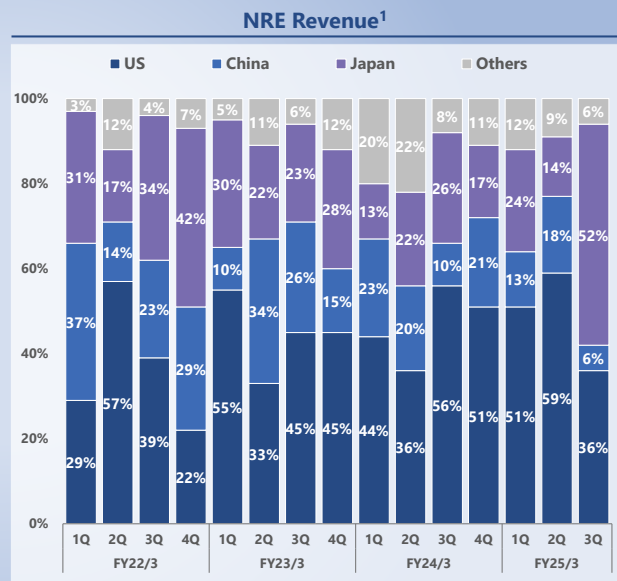
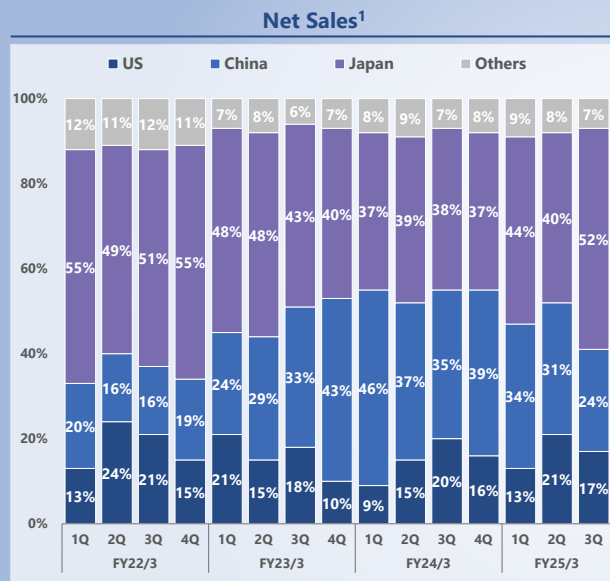
Net Sales<sup>1</sup>



NRE Revenue<sup>1</sup>

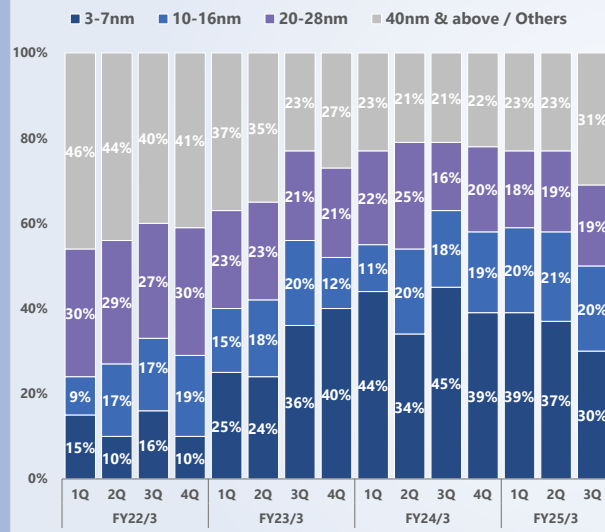


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

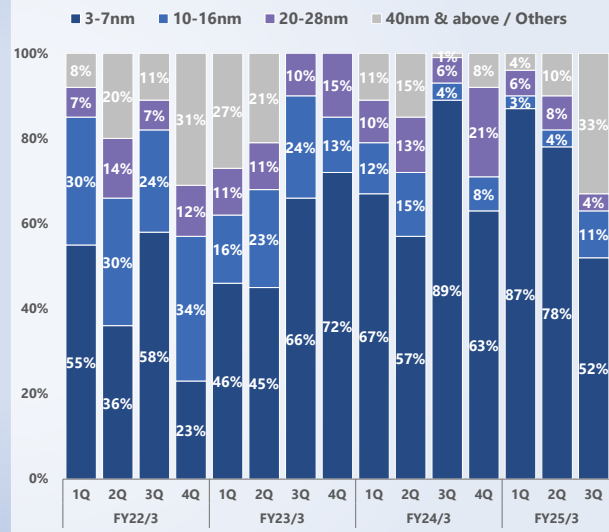


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

## 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.

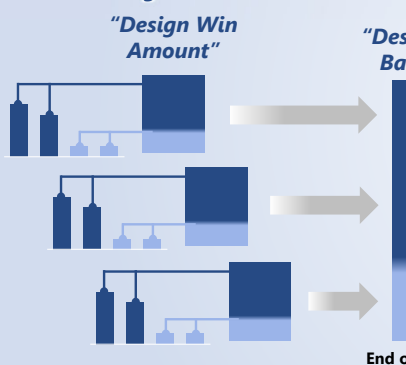


# Detail of "Design Win Amount" to Revenue Illustrative Description of "Design Win Balance"

## "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.

### "Design Win Amount" calculated from "Design Win Balance"<sup>1</sup>

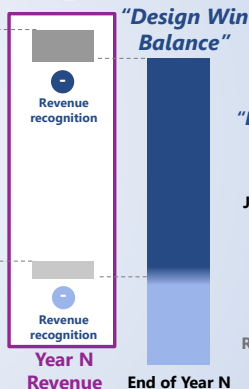
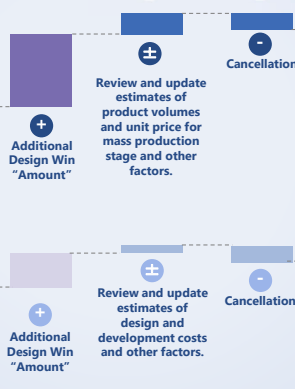


### "Design Win Balance"



End of Year N-1

### Image of Change in "Design Win Balance"<sup>2</sup>



Product Revenue

NRE Revenue

Revenue recognition

Revenue recognition

Revenue recognition

Revenue recognition

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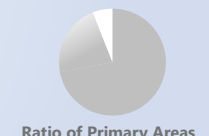
Revenue recognition

Revenue recognition

"Design Win Balance"  
(As of March 31, 2024)

Approx.

JPY 1.02trillion



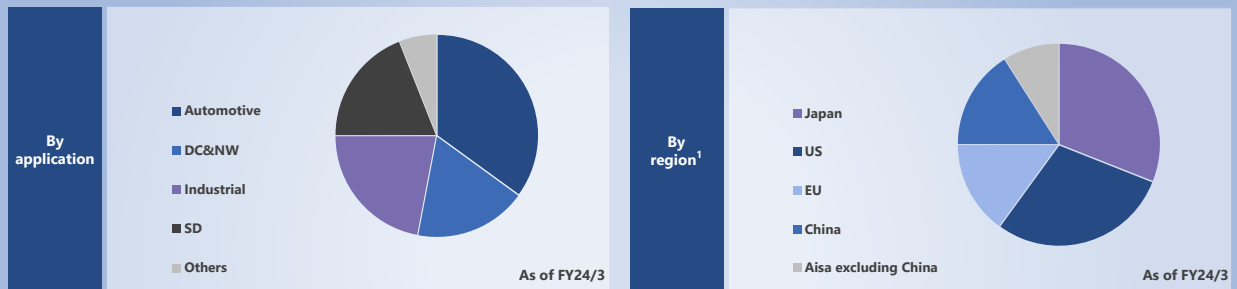
Ratio of Primary Areas

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 primary areas reflected in the "design win amount" for FY20/3, FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for around 20%, respectively, of the relevant "design win amount" shown in the graph above. However, the "design win amount" corresponding to subsequent project cancellations for FY20/3, FY21/3, FY22/3 and FY24/3 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 mostly same level to our original expectations. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, and ended March 31, 2024, 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 Balance by Application Market and Region

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Copied from  
FY24/3 4Q/Full-Year presentation



- **“Automotive” and “US” increased respectively following the recent strong design wins**
- **Design Win Balance in “Data Center & Networking” expected to increase, as new business in US is in progress**
- **Sales in each category expected to grow in a balanced manner in the mid-term, aligned with the composition of Design Win Balance**
- **Demand for Solution SoC business in “Industrial” is increasing from previously expected level; Ratio of “Industrial” in the Design Win Balance remains at previous level**

\* “Industrial” has been separated from “Others” as an independent category

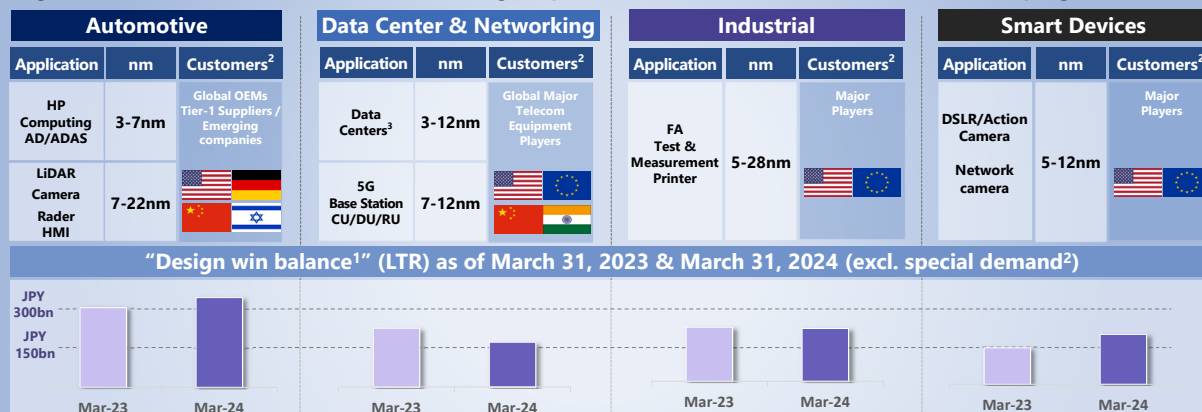
<sup>1</sup> “Geographic region” is calculated based on the regional companies of Socionext

# Abundant Global “Design Win Balance”

socionext

Copied from  
FY25/3 2Q presentation

- In FY2024/3, Design Win Balance<sup>1</sup> from “Automotive” and “Smart Devices” increased.
- Design Win Balance in “Data Center & Networking” expected to increase, as new business in US is in progress



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 primary areas reflected in the “design win amount” for FY20/3, FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for around 20%, respectively, of the relevant “design win amount” shown in the graph above. However, the “design win amount” corresponding to subsequent project cancellations for FY20/3, FY21/3, FY22/3 and FY24/3 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 mostly same level to our original expectations. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, and ended March 31, 2024, 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. Major non-Japanese customers are listed.
3. Projects include development of test chips commissioned by external parties.

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

## Company Overview



### Business Description

**Fabless Custom SoCs**

### Capital

As of March 31, 2024

**32.6**  
billion yen

### Employees<sup>1</sup>

As of March 31, 2024

Global Employees **2,534**  
Approx. Engineers<sup>2</sup> **1,900**

## Key Financials FY24/3

Net Sales	Net Sales Growth (YoY)	OP Margin
<b>221.2</b> billion yen	<b>14.8%</b>	<b>16.1%</b>

## Business Overview (Ratio is NRE revenue breakdown for FY24/3)

### Business model

**Solution SoC**  
(Optimal Custom SoC)

### Primary Areas

**94%**

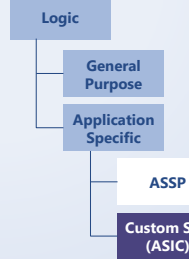
"Automotive" "Data Center & Networking"  
"Smart Devices" "Industrial"

### Process Node

**9%** **71%**

10-16nm 3-7nm

## ~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

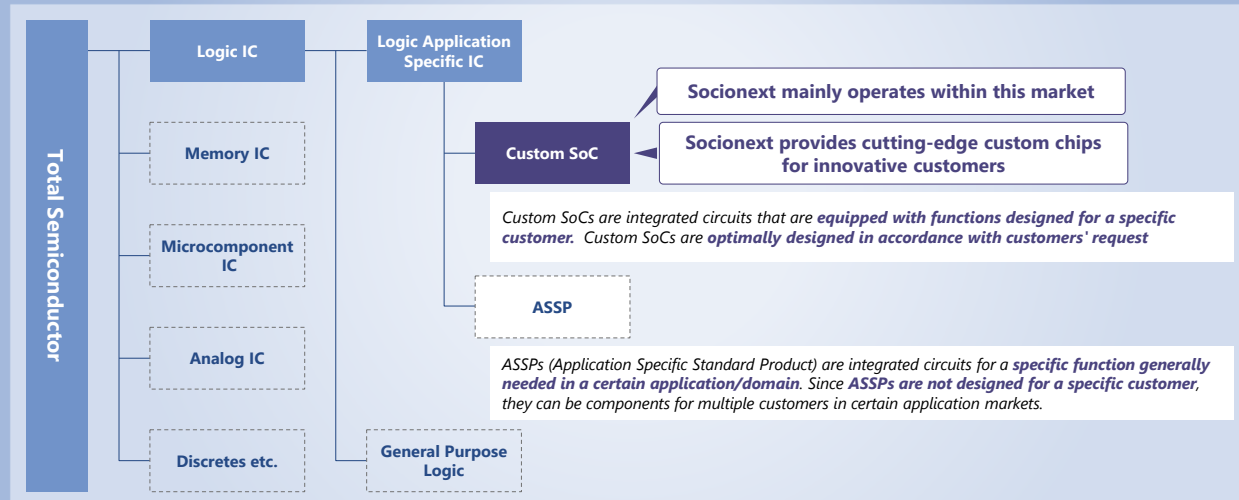
### Three business models

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

Market Size \$25bn<sup>4</sup> in 2023

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-4Q 2023". All market sizes are calculated in terms of USD-based revenue

- 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 )



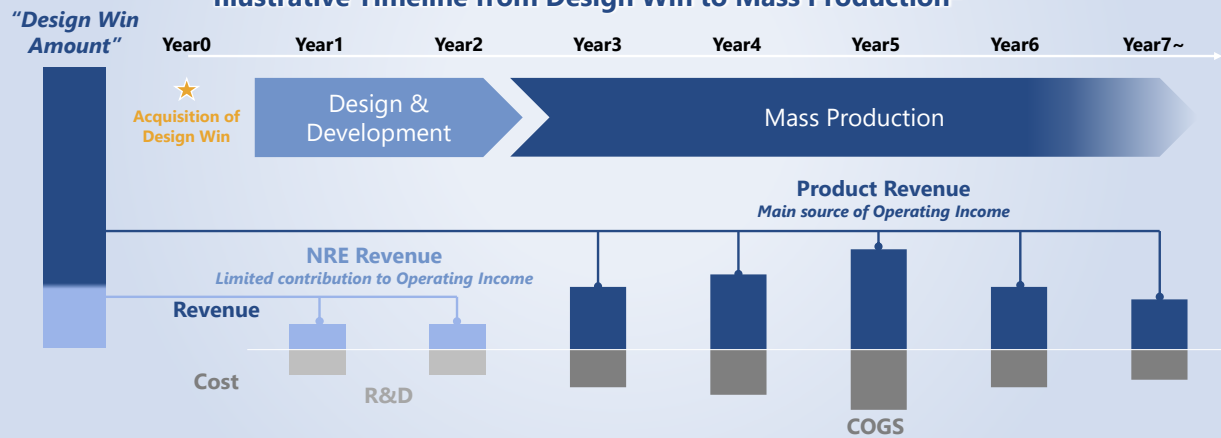
# The Image of Timeline from Design Win to Mass Production Illustrative Description of "Design Win Amount"

## "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>

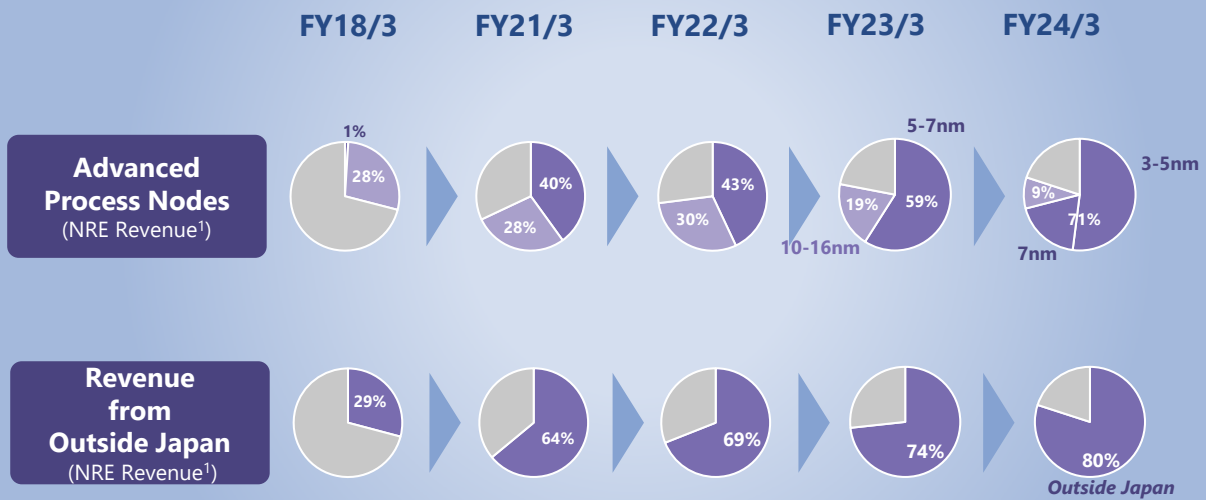


1. Refer to slide 3

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

# Transforming into a Global SoC Company with Cutting-edge Technologies

- Shift in NRE revenue<sup>1</sup> composition illustrates the steady progress of our business transformation



## Growth strategy

- *Further Growth through “Phase 2 Transformation”*
- *Solution SoC Business Model*
- *Growing Demand for Custom (Bespoke) SoCs*
- *Positioning of Socionext in Custom SoC Market*
- *Development Platform for “Entire Design” for Diverse Fields and Products and Investing in Leading-Edge Technologies*
- *Advanced SoC Developments on Computer Architecture Basis in Diverse Fields*
- *Design Wins Expanding in Each Application Market*





- 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"	
<b>More design wins by "outside-in change"</b>	
<ul style="list-style-type: none"> <li>Transformation of business model and focus business area                             <ul style="list-style-type: none"> <li>→ Expand "Design Win Amount" → Expand "Design Win Balance"</li> <li>→ Expand product revenue</li> <li>→ Expand profit by operating leverage</li> </ul> </li> </ul>	

Further Growth and Development through "Phase 2 Transformation"	
<ul style="list-style-type: none"> <li>Build and strengthen competitive R&amp;D structure, both in quantity and quality / Invest actively in leading-edge technologies</li> <li>Strengthen partnership with global SoC ecosystem players</li> <li>Continue high level of design win amount</li> </ul>	

	FY21/3	FY22/3	FY23/3	FY24/3
<b>Net Sales (billion yen)</b>	<b>99.7</b>	<b>117.0</b>	<b>192.8</b>	<b>221.2</b>
<b>FX Rate (yen)</b>	<b>106.1</b>	<b>112.4</b>	<b>135.5</b>	<b>144.6</b>
<b>OP Margin</b>	<b>1.6%</b>	<b>7.2%</b>	<b>11.3%</b>	<b>16.1%</b>

	FY25/3e	FY26/3e	FY27/3e -
<b>Net Sales (billion yen)</b>	➔	➔	➔
<b>FX Rate (yen)</b>	130.0	130.0	130.0

**OP Margin**  
Mid-to-High teen %

**Achieve high growth and OP margin improvement**

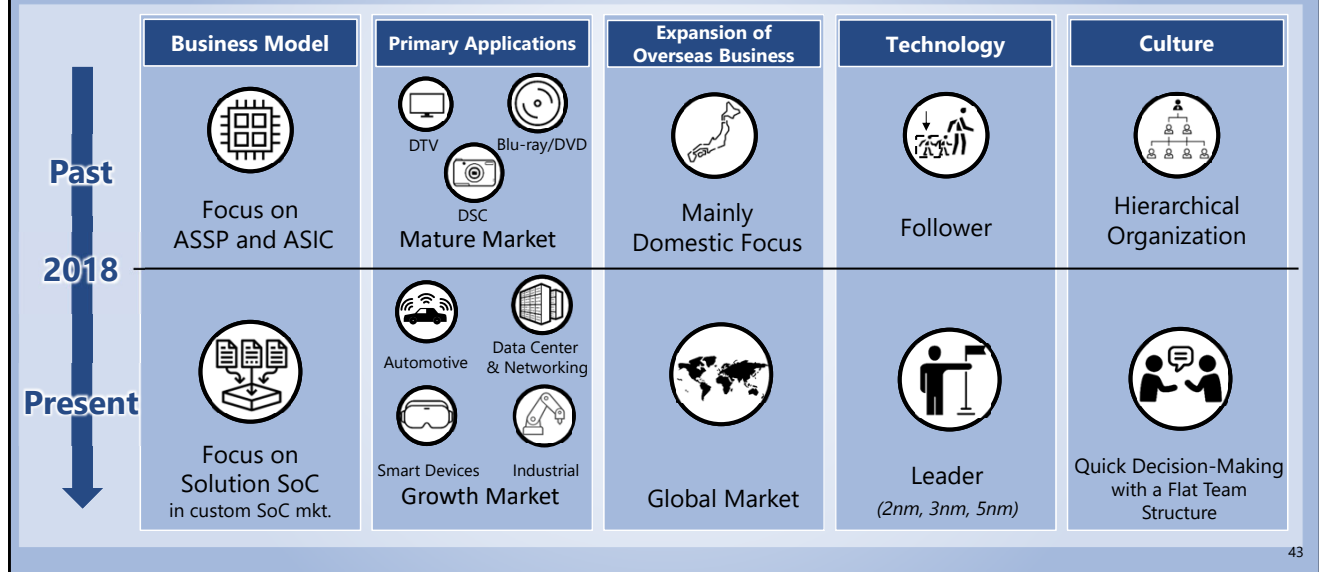
**"Together with our global partners, we bring innovation to everyone everywhere"**

Socionext will help to bring about a prosperous society by delivering new value to our customers and to people around the world beyond them. We will do this as a valued partner of customers seeking unique and cutting-edge SoCs to differentiate their services and products. We will also do this as a partner of our suppliers providing the latest technologies in the evolving semiconductor ecosystem, including foundries, outsourced semiconductor assembly & tests (OSATs) and providers of intellectual property (IP), electronic design automation (EDA) and software.



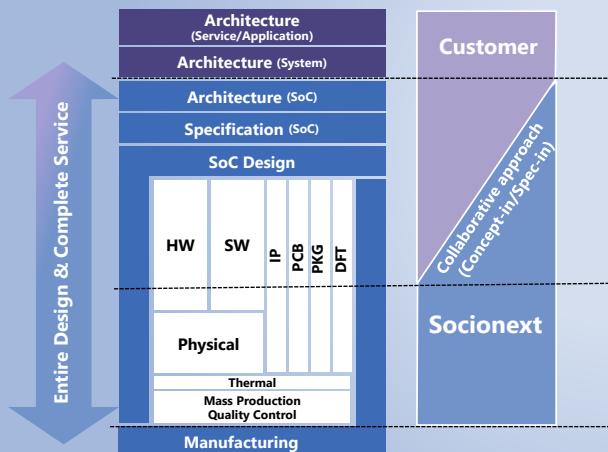
# Transformation into Global Custom SoC Vendor in Advanced Technology Areas

- 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"



- Socionext has established new and distinctive “Solution SoC<sup>1</sup>” business model to provide optimal custom SoCs to customers who require advanced and innovative chips

## “Solution SoC”



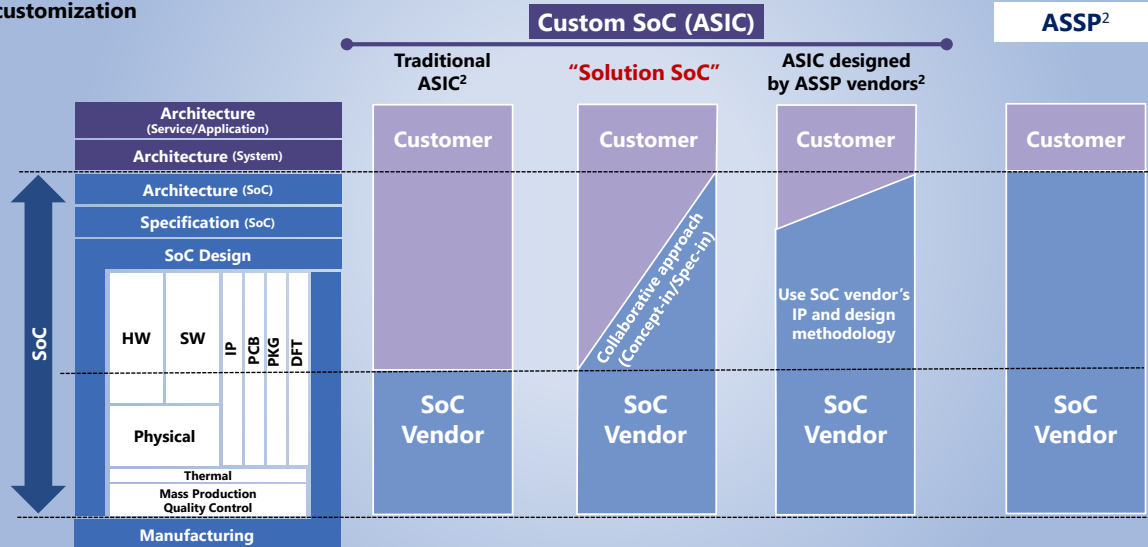
- Collaborating with customer to design optimal SoC architecture to meet customer requirements and for design efficiency / Identify best IPs and design methodologies from across the entire semiconductor ecosystem / Offer ideal custom SoCs to all types of customers

### Socionext

- ... has **diverse engineers with wide range of technology expertise** (SoC architecture, ... thermal and quality)
- ... **collaborates with customers** who seek unique SoCs (including heterogeneous) to **differentiate** their products and services in advanced technology areas,
- ... **designs optimal SoCs and chiplets** by utilizing variety of CPU, AI, Interface and application IPs on its flexible design & development platform based on computer architecture,
- ... **ensures quality** (including automotive grade), and
- ... operates with **global production and delivery system** (including for automotive market)

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

- The primary difference between “traditional ASIC<sup>2</sup>” and “Solution SoC<sup>1</sup>” 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.

- Socionext features “Entire Design” (from SoC architecture to thermal design and quality) and “Complete Service” (full turnkey and production) and deliver unique (“Bespoke”) SoCs for all types of customers in diverse industries and products

## Competitive advantages of bespoke SoC developed under Solution SoC business model

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

- Available to provide for bespoke SoC, heterogeneous SoC/chiplets and complex leading-edge SoC design
- Valuable support of software development in early stages and upstream design
- Available for companies with limited in-house resources

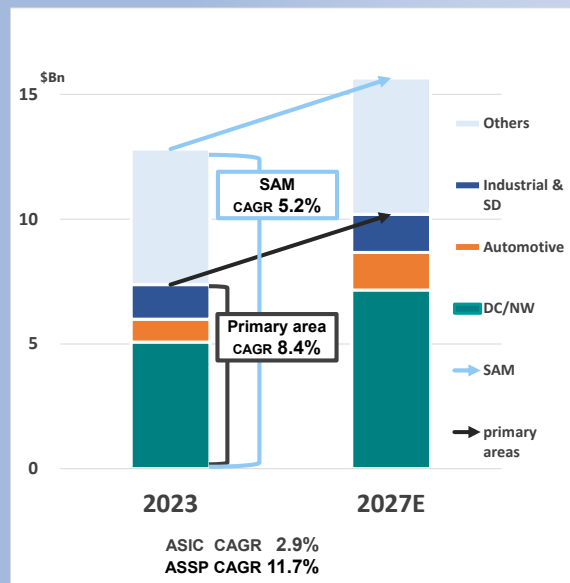
### Compared to ASIC designed by ASSP vendors<sup>1</sup>

- 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 wide range of applications and multiple products
  - Entire design capability from SoC architecture to thermal design and quality, and complete service capability including support for full turn-key and mass production in advanced technology areas
3. Scale
  - Abundant engineering resources and flexible R&D organization 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



## Background of Growing Demand for Custom (Bespoke) SoCs and Solution SoC partner

- Emergence of new services and applications**  
New services and applications emerge through evolution of technologies; Demand expands for SoCs optimized for such services and applications
- Bespoke vs ASSP**  
(1) In "More-than-Moore" era, demand is expanding from leading companies for unique SoCs with optimal design to achieve PPA requirement (2) Concerns on lock-in by ASSP vendors : More companies are not satisfied with ASSPs
- Evolution of semiconductor ecosystem**  
Leading-edge technologies become more accessible as global semiconductor ecosystem evolve (Foundry, OSAT, EDA, IP, OSS, etc.)
- "Entire Design" and "Complete Service"**  
Significance of "Entire design" (from SoC architecture to thermal and quality) and "Complete Service" (from development to production control and delivery) are further increasing, as design of leading-edge SoCs becoming more complex and needs for "bespoke" SoCs / chiplets / heterogeneous integration expanding
- New needs in many application markets**  
Even in areas that have been served by traditional ASICs, more customers turn to Solution SoC type of development to achieve advanced functionalities, which require integration of various IPs

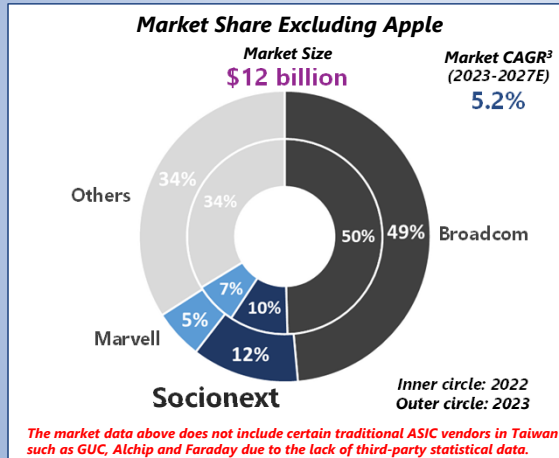
1. Calculated by Socionext based on Omdia "Application Market Forecast Tool-1Q 2024". \* Figures for the market for "logic ASICs" are used for the "Custom SoC(ASIC)"  
2. Market CAGR(2023-2027E) are calculated by (figure of 2027E / figure of 2023)^(1/4)-1.

- With the exception of Apple, Socionext has the 2nd largest market share of 12% within the Custom SoC(ASIC)<sup>1</sup> market, where some players can design 5nm/3nm SoCs.

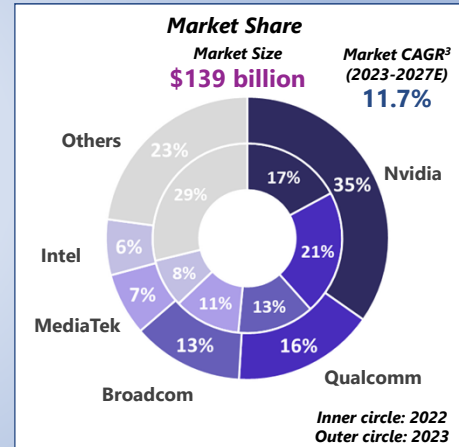
Custom SoC(ASIC)<sup>1</sup> Market Share<sup>2</sup> (2022-2023)



These Market Data are estimated by Socionext based on Omdia data



ASSP<sup>1</sup> Market Share<sup>2</sup> (2022-2023)



- We define "ASSP" as the "Logic ASSP" segment based on Omdia "Application Market Forecast Tool-4Q 2023" classification and "Custom SoC(ASIC)" as "Logic ASIC" based on Omdia "Application Market Forecast Tool-4Q 2023". Omdia's classifications of the markets may differ in certain respects from our target markets. Classification are based on the company's recognition
- These market data are estimated by Socionext based on Omdia data "Competitive Landscaping Tool CLT, Annual- 4Q 2023". All market sizes are calculated in terms of USD-based revenue
- Calculated by Socionext based on Socionext internal information and Omdia "Application Market Forecast Tool-1Q 2024". Market CAGR(2023-2027E) is calculated (figure of 2027E / figure of 2023)^(1/4)-1



## Computer architecture-based design & development

- In major markets in the advanced technology field, common computer architecture-based concepts are becoming the basis for design and development
- "Software-Defined SoC" as part of software-oriented system
- Common challenges for PPA optimization
- SoC technology in More-than-Moore era (chiplet, heterogeneous integration)
- Design becoming more complex (process technology, software, heterogeneous, thermal design, reliability, ...)

## Building design & development platform optimized for "Solution SoC" business model

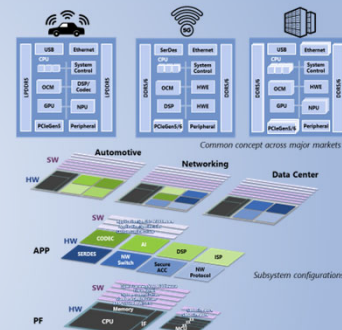
- Building and strengthening computer architecture-based design and development platform that covers not only hardware but also "Entire Design" for "Solution SoC", including system-level software, thermal design, etc.
- Leveraging experiences in multiple applications and products
- Keeping pace with technology evolution while maintaining existing design assets at each functional layer
- Robust platform that also covers software development
- Offering "Entire Design" and "Complete Service" for complex SoC designs

## Investing further in leading-edge technologies

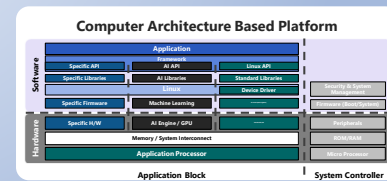
- Investing in most advanced process technologies
  - 2nm and 1.4nm
  - Chiplets (die-to-die interconnect, 2.5D/3D, etc.)
  - AI to support design and development, IPs
- Meet customer expectations for technology evolution by tight collaboration with SoC ecosystem players (EDA, IP and other vendors)

## ◆ Drive innovation with tighter collaboration with SoC ecosystem

- System, subsystem configurations and bus architectures are becoming similar across major applications and closer to computer architecture
- Common design and development platform improves efficiency and profitability



## Socionext's "Solution SoC" design & development platform

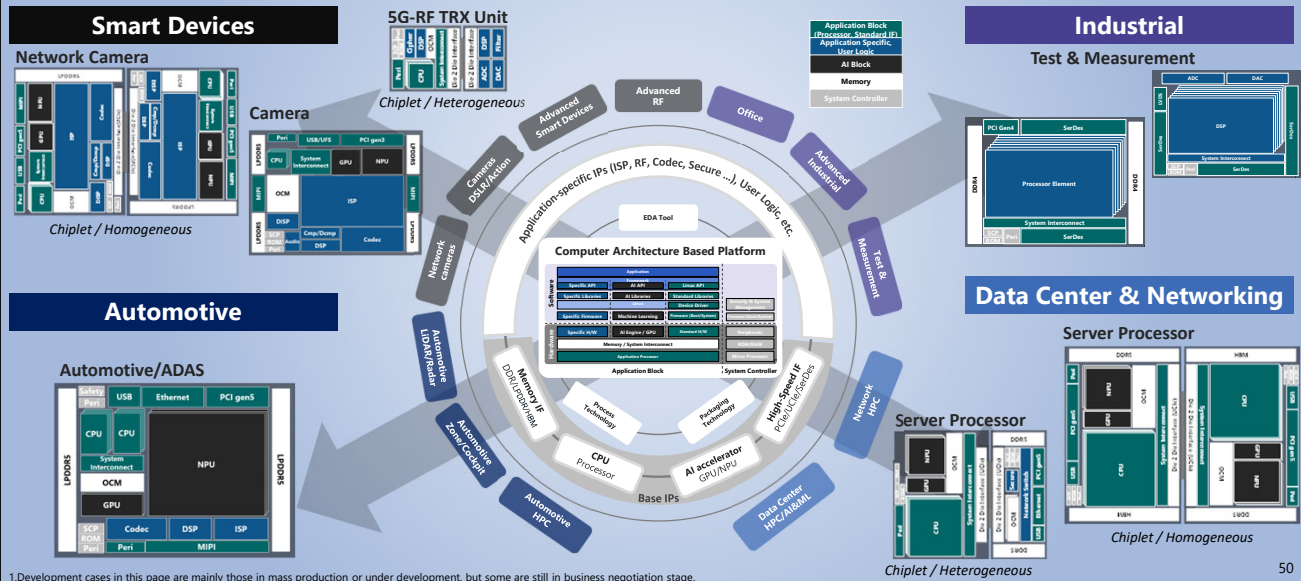


# Advanced SOC Developments on Computer Architecture Basis in Diverse Fields

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- Common development platform established as system configurations across major applications become similar towards computer architecture-based
- Addresses PPA optimization challenges due to design complexity such as chiplets, heterogeneous integration, thermal and reliability



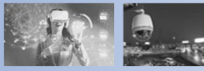
1. Development cases in this page are mainly those in mass production or under development, but some are still in business negotiation stage.

## Smart Devices

5/7/12nm  
DSLR/Action



5/7nm  
Network cameras  
AR

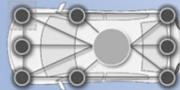


## Automotive

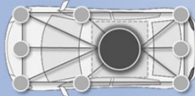
16/22nm  
LiDAR / Radar / Camera



7/16/22nm  
Zone Computing

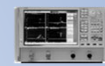


3/5nm  
HP Computing



## Industrial

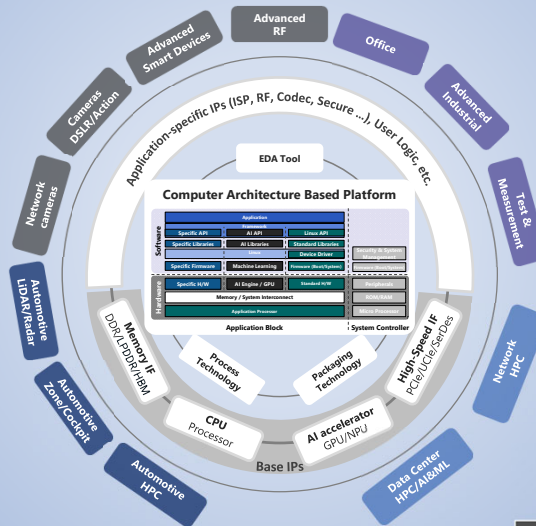
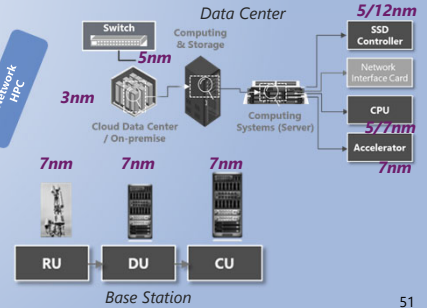
5/7nm  
Test & Measurement



28nm  
Printer



## Data Center & Networking




# Design Wins Expanding in Each Application Market

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## Smart Devices

Application	nm	Customers <sup>1</sup>
Network cameras DSLR/Action	5-12	Major Players  

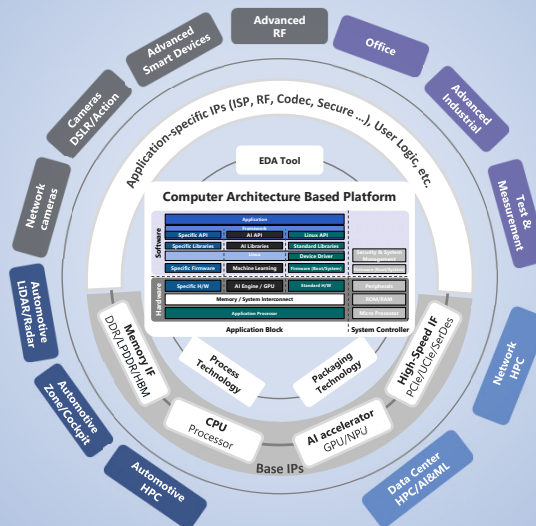
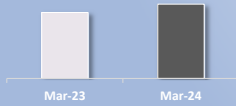
Design win balance





## Automotive

Application	nm	Customers <sup>1</sup>
HP Computing AD/ADAS	3-7	Global OEMs Tier-1 Suppliers / Emerging companies
LiDAR, Camera, Rader, HMI	7-22	   

Design win balance







## Industrial

Application	nm	Customers <sup>1</sup>
FA Test & Measurement Printer	5-28	Major Players  

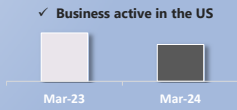
Design win balance



## Data Center & Networking

Application	nm	Customers <sup>1</sup>
Data Center	3-12	Global Major Telecom Equipment Players
Base Station CU/DU/RU	7-12	   

Design win balance



1. Major non-Japanese customers are listed.
2. Projects include development of test chips commissioned by external parties.

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