

socionext™

1Q FY2024/3

# Consolidated Financial Results

July 28, 2023  
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. 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 3 Months Ended June 30, 2023**

- *Actual Consolidated Financial Results 1Q FY24/3 Results*
- *Forecast Consolidated Earnings*
- *Mid-term Financial Targets*



**Socionext is in 40 days of quiet period (July 14 to August 22) due to the international offering announced on July 5, 2023. Please note that the presentation is about 1Q FY24/3 result only and limited forward looking statements.**

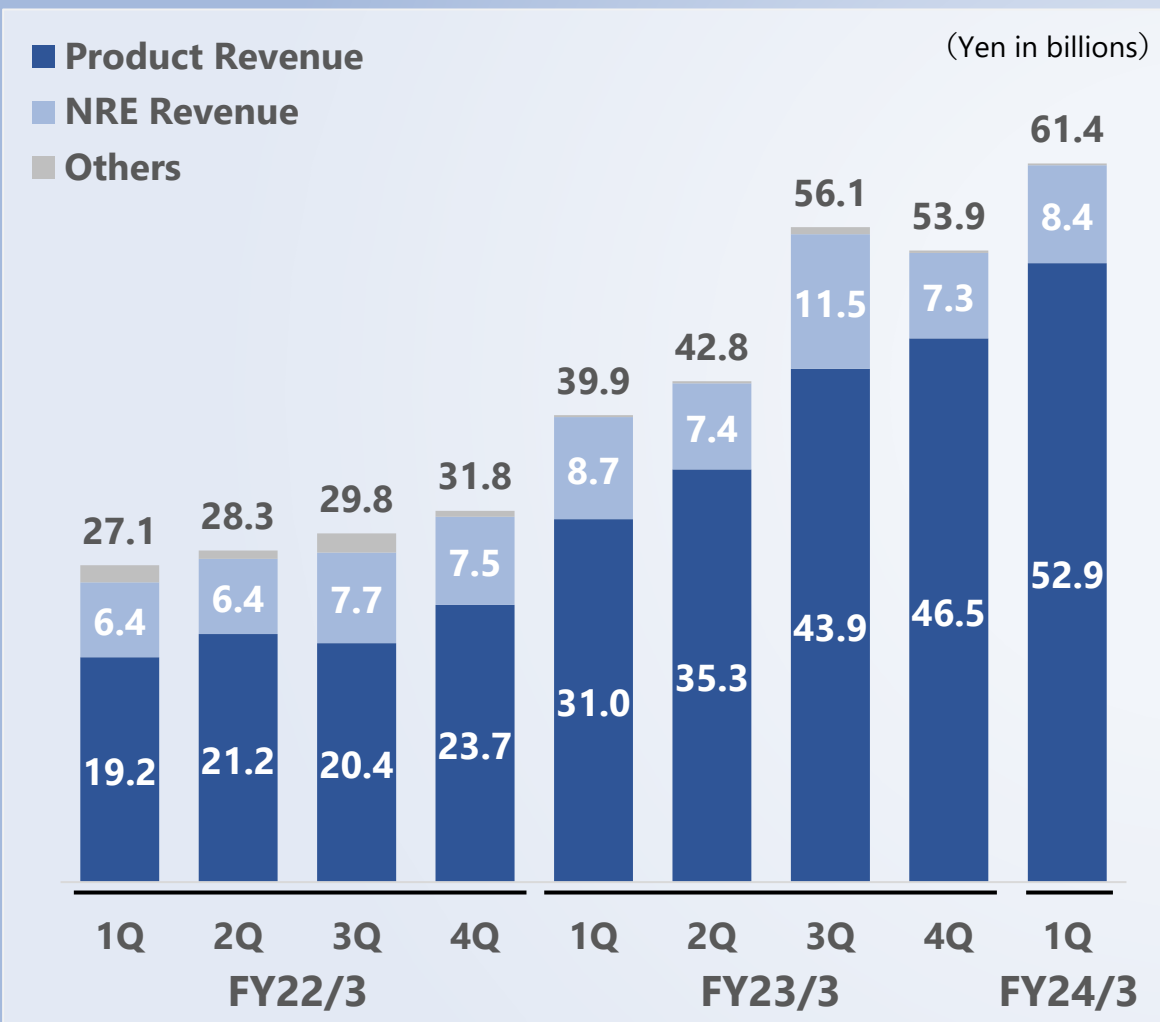
# 1Q FY24/3 Consolidated Statements of Income

(Yen in billions)

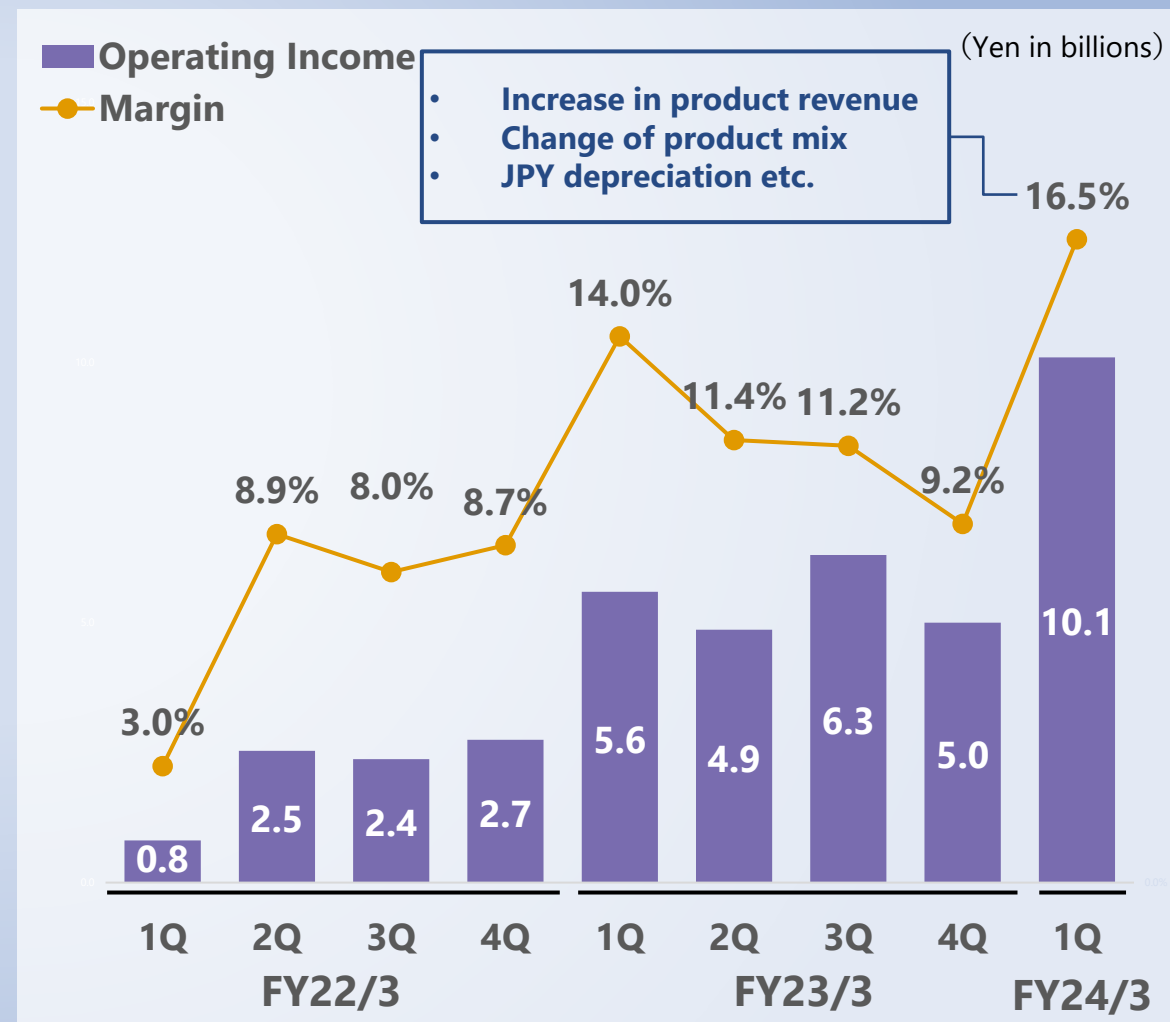
	FY23/3				FY24/3	YoY	YoY %
	1Q	2Q	3Q	4Q	1Q		
<b>Net Sales</b>	<b>39.9</b>	<b>42.8</b>	<b>56.1</b>	<b>53.9</b>	<b>61.4</b>	<b>21.5</b>	<b>53.9%</b>
Product Revenue	31.0	35.3	43.9	46.5	52.9	21.9	70.5%
NRE Revenue	8.7	7.4	11.5	7.3	8.4	-0.4	-4.0%
Others	0.2	0.2	0.6	0.2	0.1	0.0	-14.1%
<b>Cost of Sales</b>	<b>19.9</b>	<b>22.1</b>	<b>31.8</b>	<b>30.2</b>	<b>34.5</b>	<b>14.6</b>	<b>73.7%</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>2.4</b>	<b>16.3%</b>
R&D	10.6	11.5	13.4	13.8	12.2	1.6	15.0%
SG&A (excluding R&D)	3.9	4.4	4.6	5.0	4.7	0.8	19.7%
<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>4.5</b>	<b>80.7%</b>
Margin	14.0%	11.4%	11.2%	9.2%	16.5%	+2.5%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>2.9</b>	<b>57.2%</b>
Margin	12.7%	11.6%	9.3%	8.4%	12.9%	+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>7.8</b>	

# Quarterly Net Sales and Operating Income and Changes

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



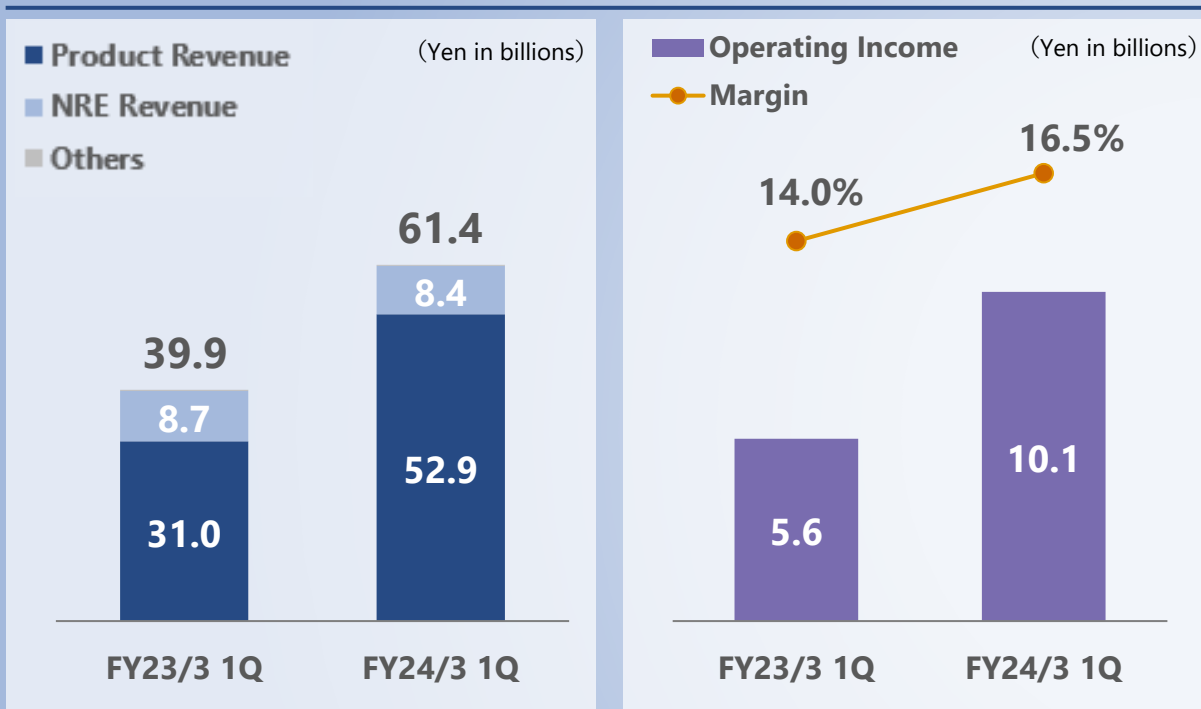
## Operating Income<sup>1</sup>



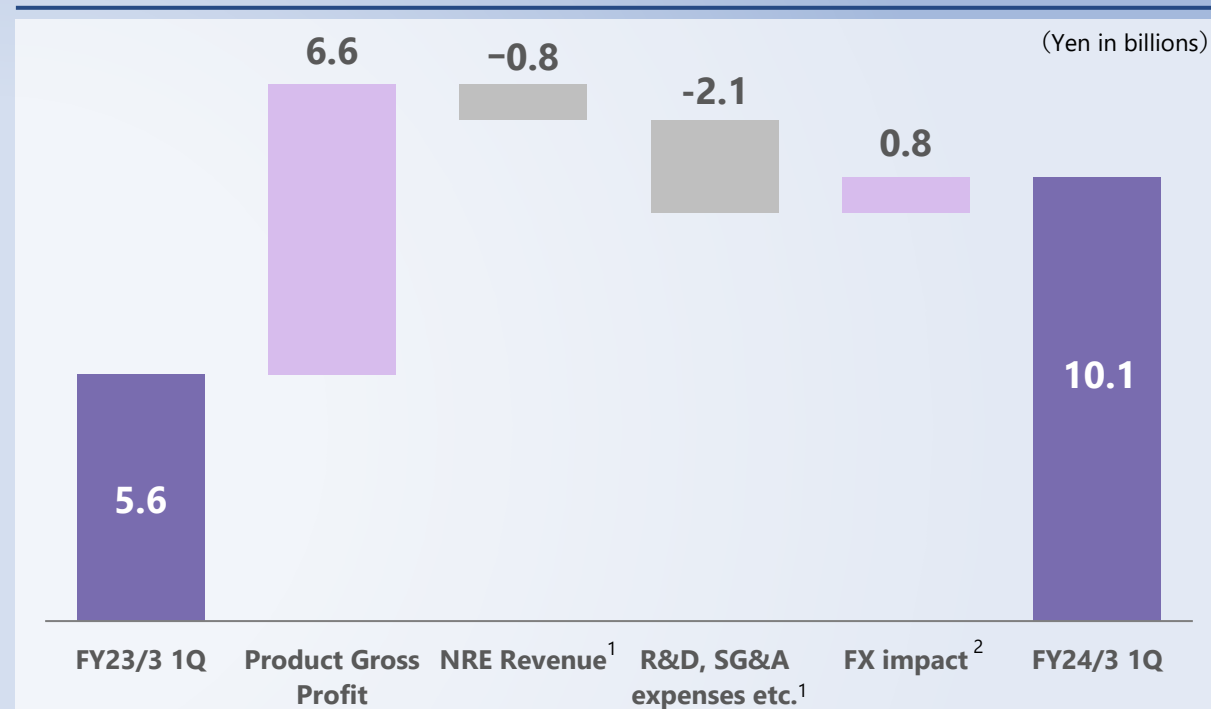
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

# Details of 1Q FY24/3 Financial Results - YoY Changes

## Net Sales & Operating Income



## Operating Income YoY Analysis



### <Net sales> YoY +21.5 bn yen +(53.9%)

- Product revenue +21.9 bn yen (FX impact +2.5 bn yen)
- NRE revenue -0.4 bn yen (FX impact +0.4 bn yen)
- Depreciation of Japanese yen +3.0 bn yen (USD/JPY 129.6→137.4)

### <Operating income> YoY +4.5 bn yen (+80.7%)

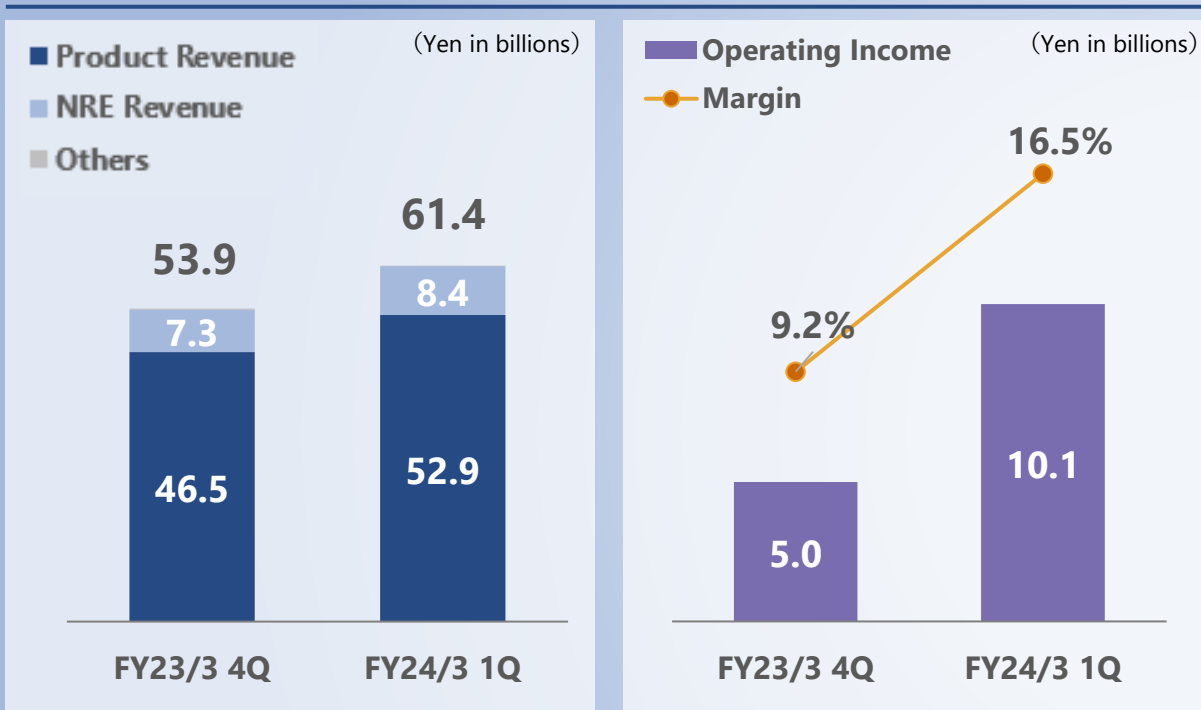
- Increase in gross profit from product revenue +6.6 bn yen
- Decrease in NRE revenue -0.8 bn yen
- Increase in R&D·SG&A, etc. -2.1 bn yen
- Depreciation of Japanese yen +0.8 bn yen

1. NRE expense roughly equivalent to NRE revenue is eventually recorded within R&D costs and fully deducted from Operating Income. Accordingly, NRE may not directly contribute to an increase in Operating Income for a particular period.

2. Total impact from change in USD/JPY exchange rate across periods. Figures for the other factors presented show the impact excluding such FX impact

# Details of 1Q FY24/3 Financial Results - QoQ Changes

## Net Sales & Operating Income



## Operating Income QoQ Analysis



### <Net sales> QoQ +7.5 bn yen (+13.9%)

- Product revenue +6.4 bn yen (FX impact +1.6 bn yen)
- NRE revenue +1.1 bn yen (FX impact +0.3 bn yen)
- Depreciation of Japanese yen +1.9 bn yen (USD/JPY 132.3→137.4)

### <Operating income> QoQ +5.1 bn yen (+103.7%)

- Increase in gross profit from product revenue +1.6 bn yen
- Increase in NRE revenue +0.9 bn yen
- Decrease in R&D•SG&A, etc. +2.1 bn yen
- Depreciation of Japanese yen +0.5 bn yen

1. NRE expense roughly equivalent to NRE revenue is eventually recorded within R&D costs and fully deducted from Operating Income. Accordingly, NRE may not directly contribute to an increase in Operating Income for a particular period.

2. Total impact from change in USD/JPY exchange rate across periods. Figures for the other factors presented show the impact excluding such FX impact



# Consolidated Balance Sheet (As of June 30, 2023)

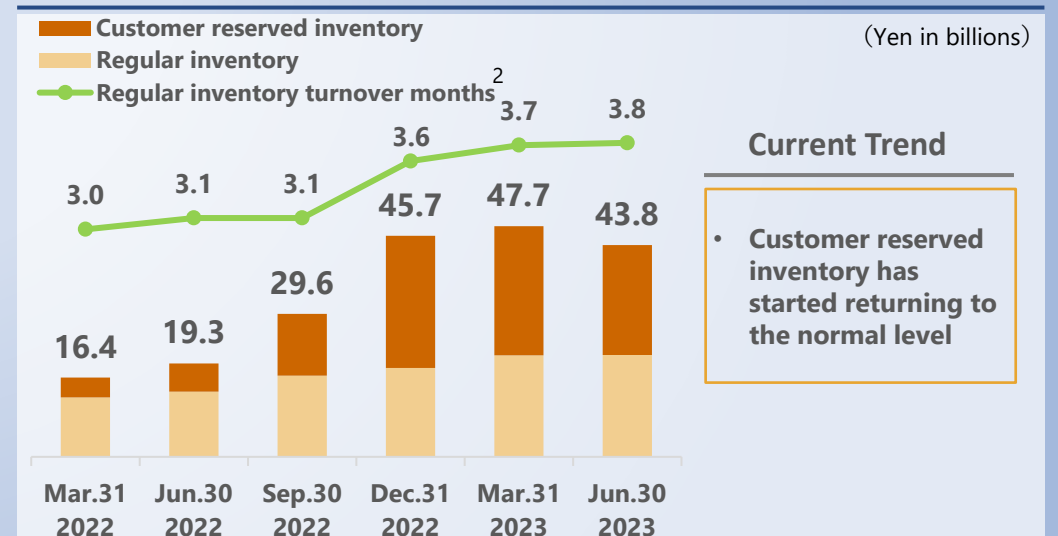
(Yen in billions)

	As of Mar.31,2023	As of Jun.30,2023	Change
<b>Total Assets</b>	193.9	<b>184.0</b>	-9.9
<b>Total Current Assets</b>	156.1	<b>147.7</b>	-8.4
Cash on-hand and in banks	45.1	<b>33.9</b>	-11.2
Accounts receivable-trade	40.8	<b>47.3</b>	+6.4
Inventories <sup>1</sup>	47.7	<b>43.8</b>	-3.9
Accounts receivable-other	16.2	<b>15.3</b>	-0.9
<b>Total non-Current Assets</b>	37.9	<b>36.4</b>	-1.5
<b>Total Liabilities</b>	84.1	<b>68.6</b>	-15.5
<b>Total Current Liabilities</b>	82.3	<b>66.8</b>	-15.6
Accounts payable-trade	23.4	<b>21.3</b>	-2.1
Accounts payable-other	24.6	<b>23.5</b>	-1.1
Liabilities related to changeable subcontracting	18.9	<b>13.0</b>	-5.9
<b>Total Net Assets</b>	109.9	<b>115.5</b>	+5.6
<b>Shareholders' Equity Ratio</b>	56.6%	<b>62.7%</b>	

## Cash on Hand and in Banks



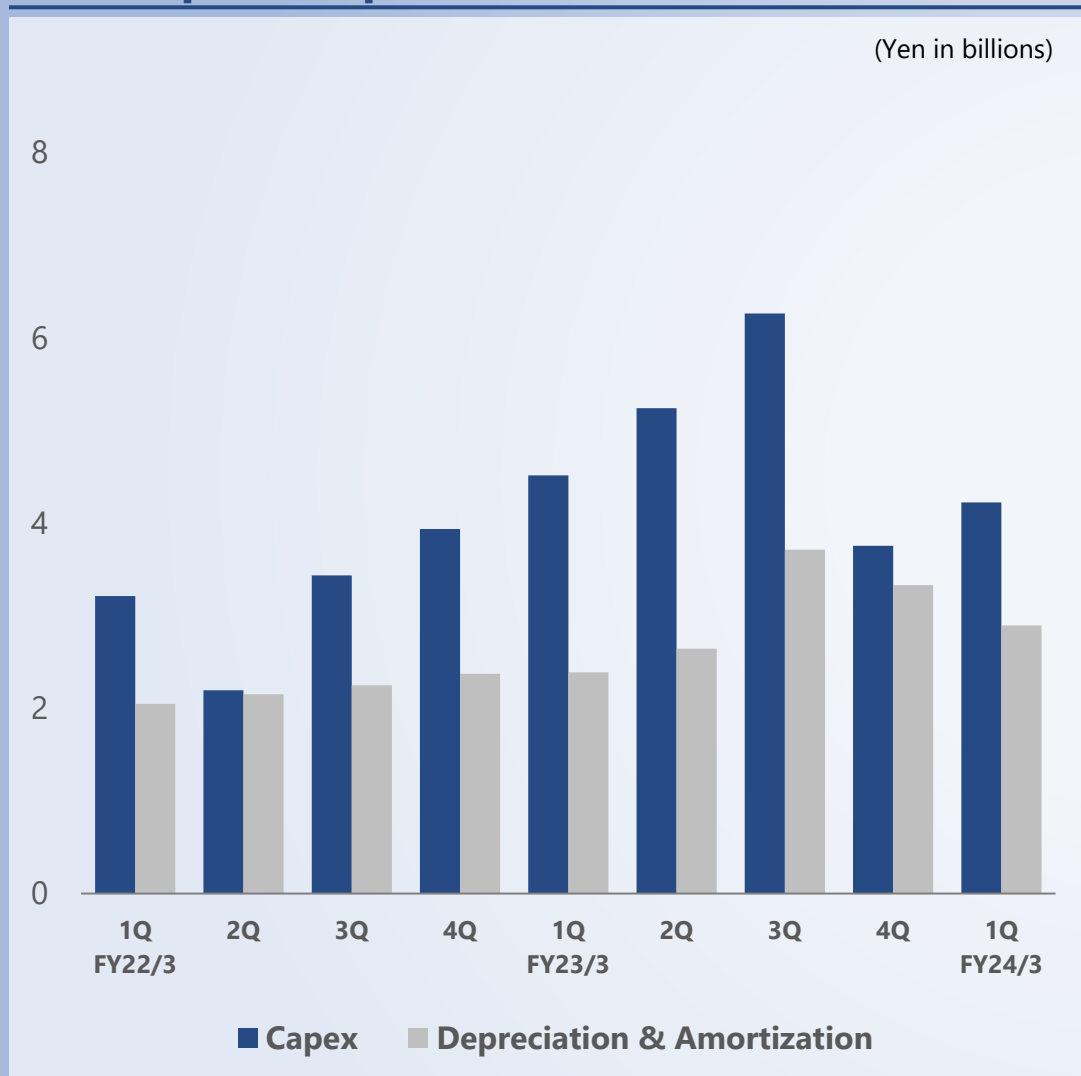
## Inventories



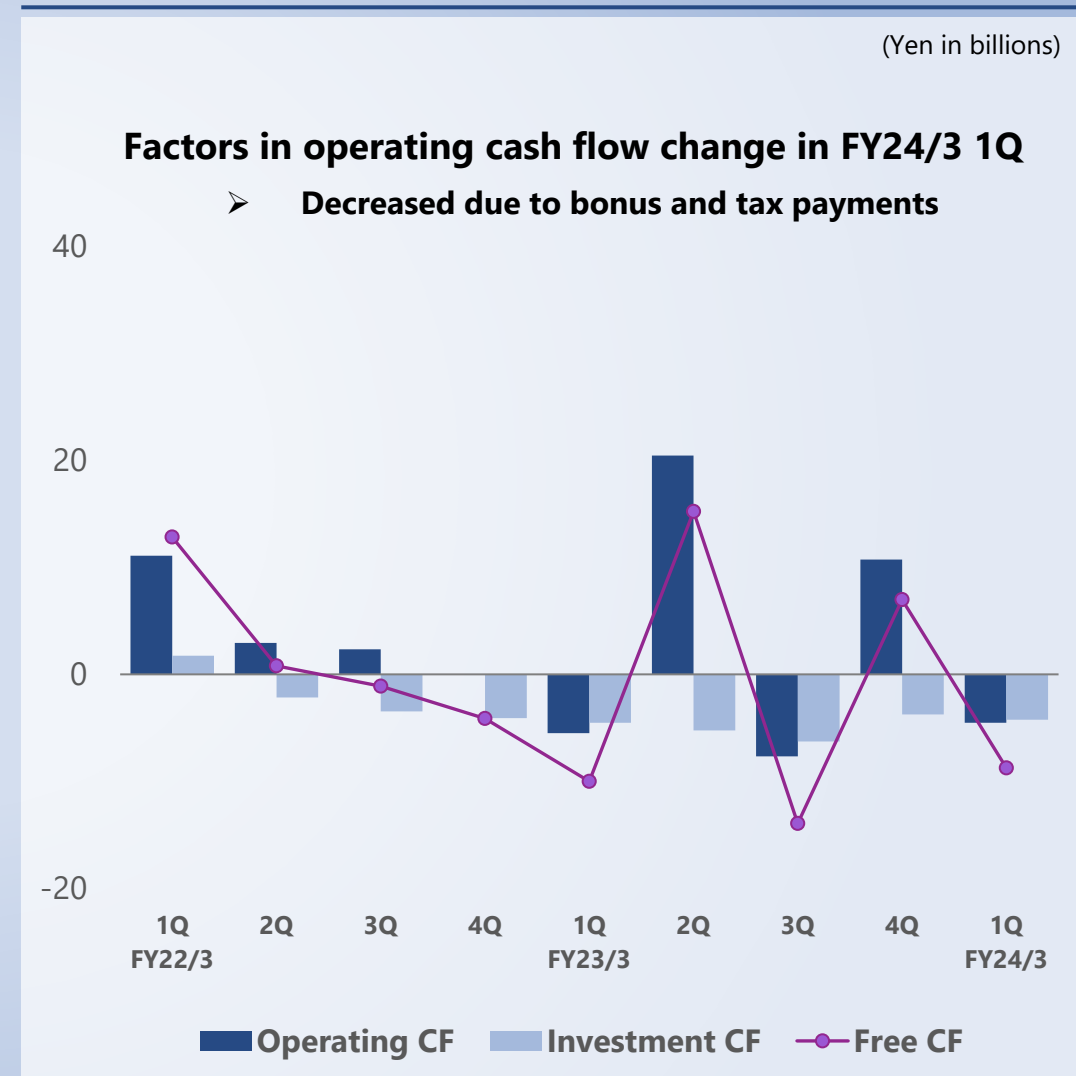
1. Inventories consist of finished goods and work in process  
 2. Regular inventory turnover months = ordinary inventories balance/Cost of Sales in 3-month average

# Capex-Depreciation & Amortization / Cash Flow

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



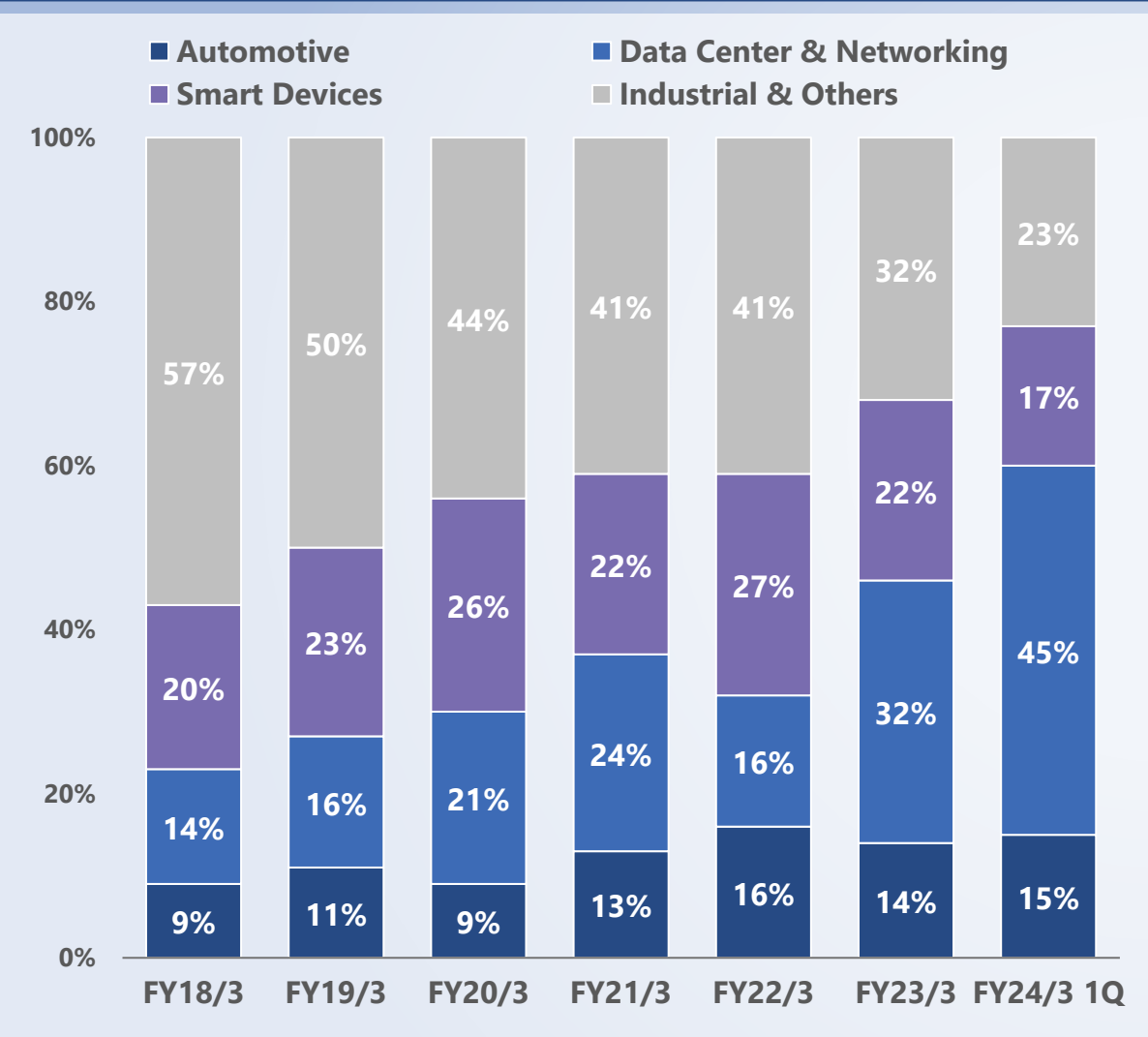
## Cash Flow<sup>2</sup>



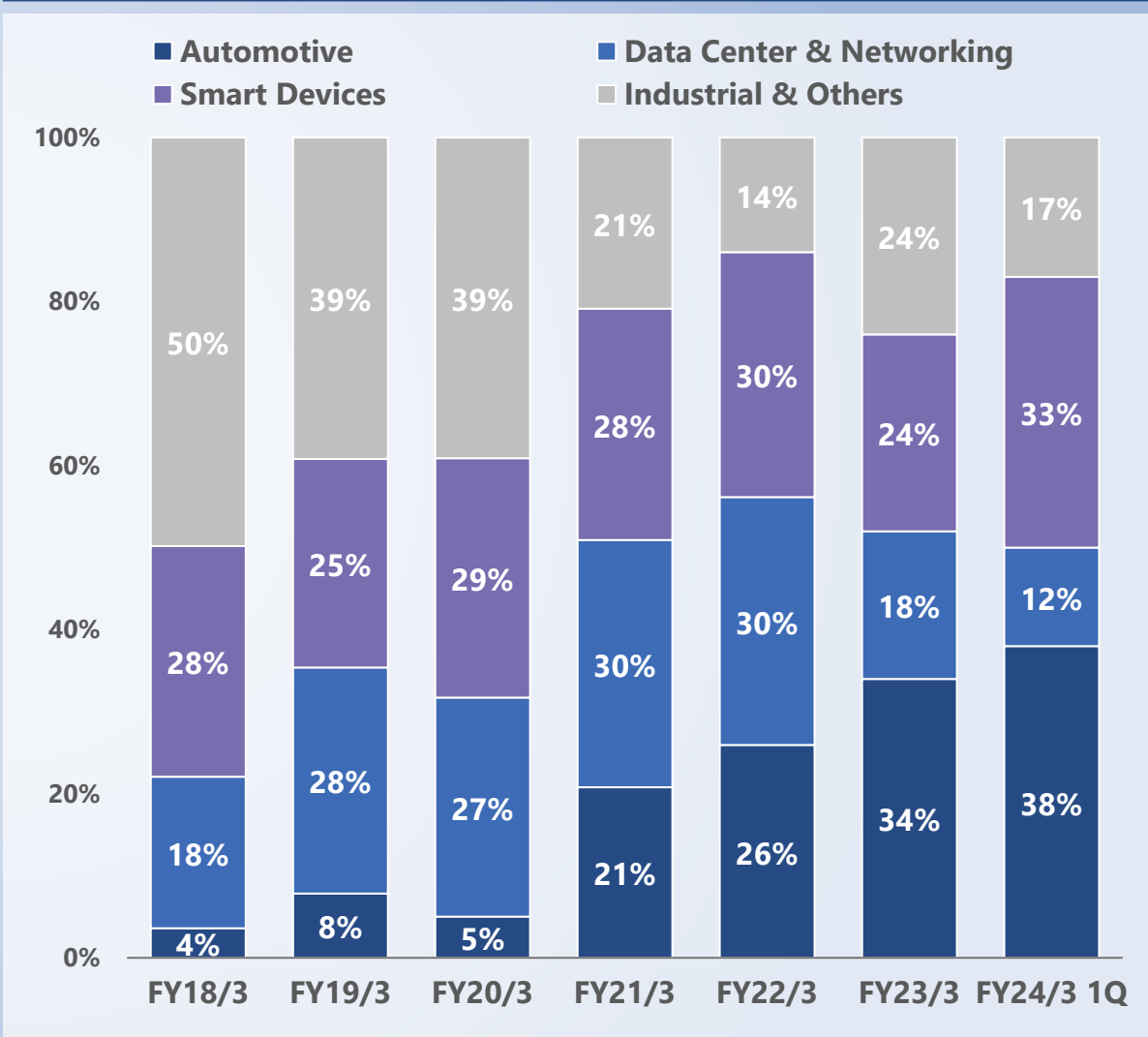
1. Capex: Purchases of PP&E + purchase of intangible assets  
 2. Quarterly financial results of FY 22/3 are unaudited and unreviewed by external auditors

# Breakdown by Application Market

### Net Sales

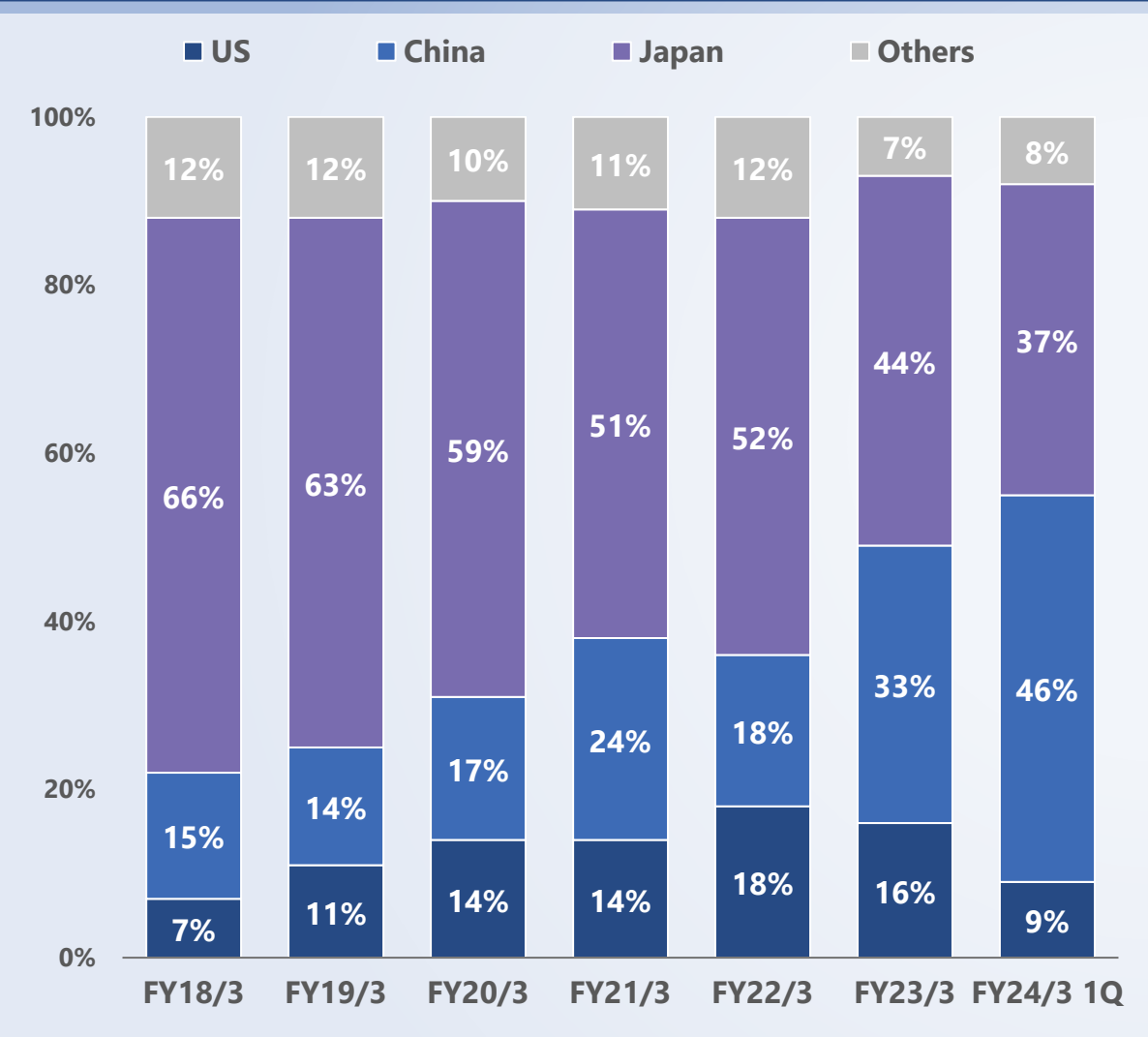


### NRE Revenue

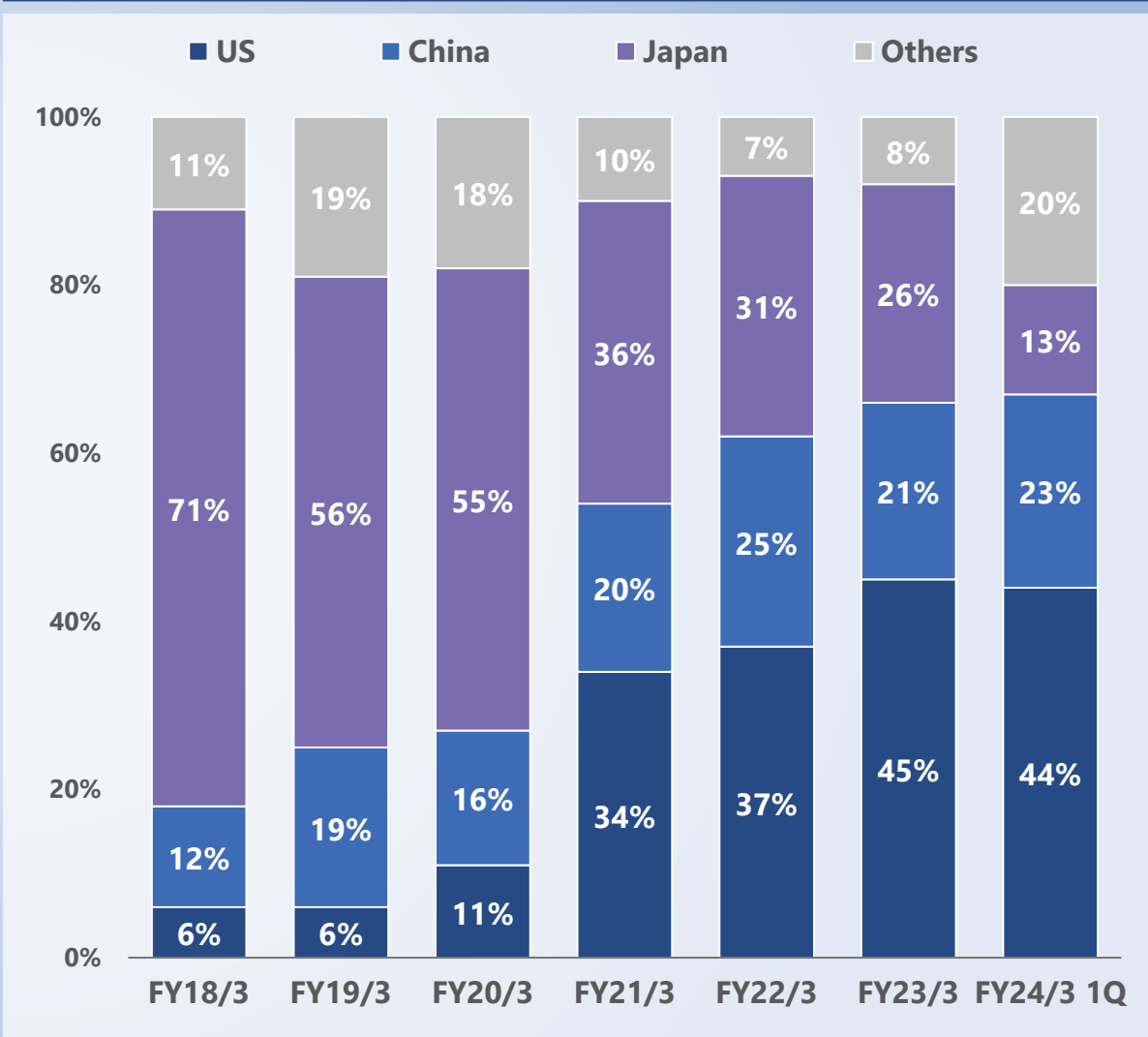


# Breakdown by Geographic Region

### Net Sales

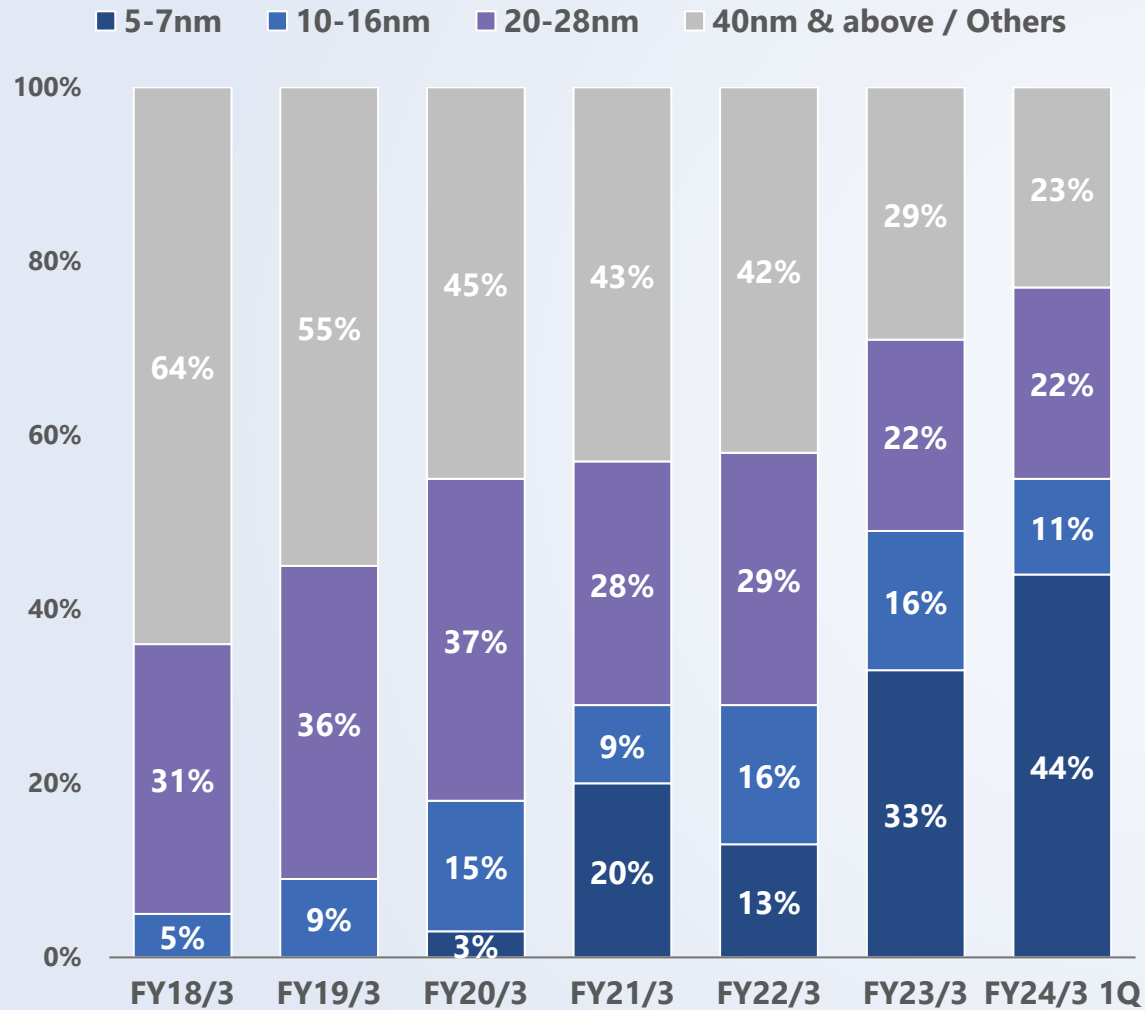


### NRE Revenue

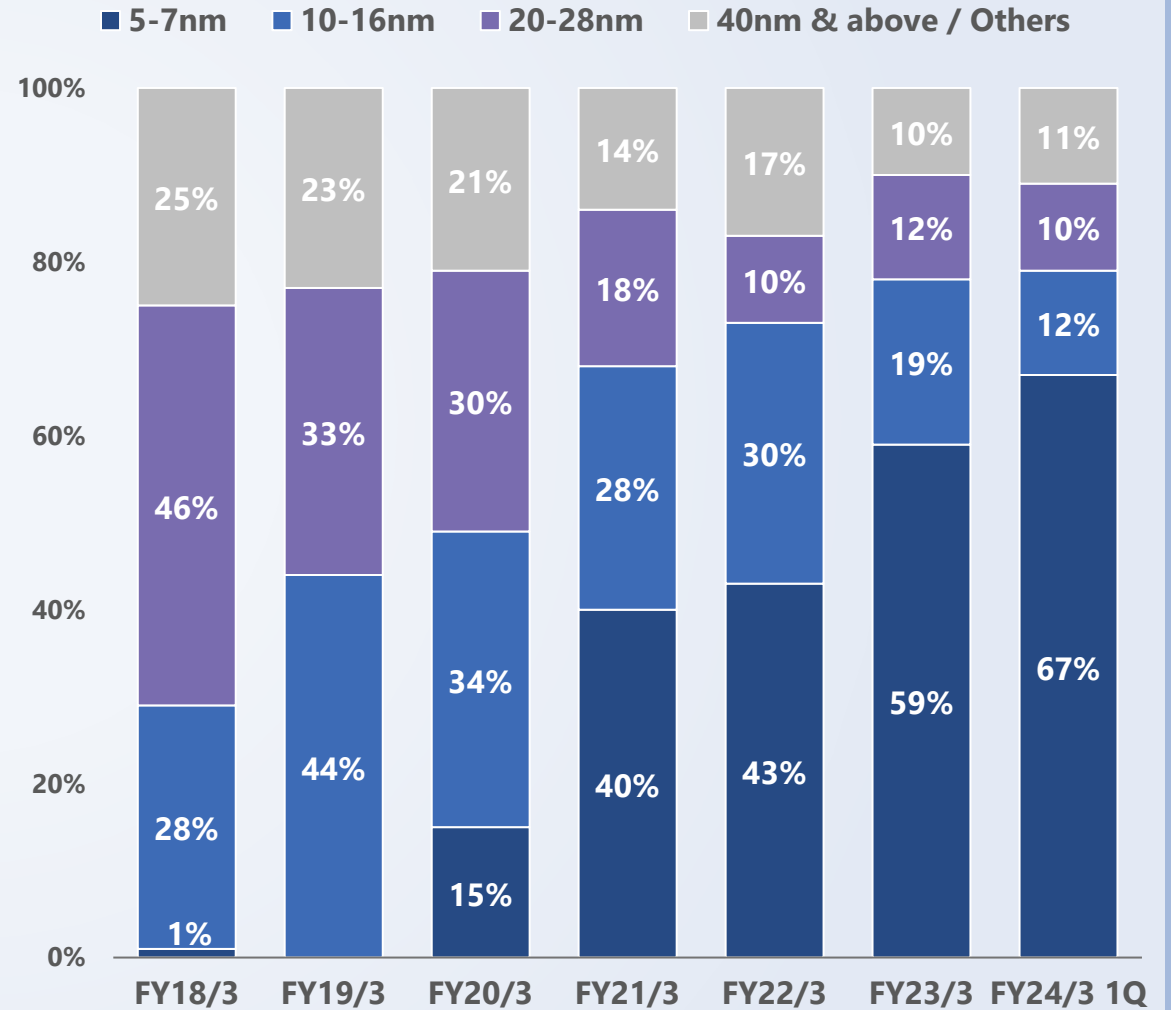


# Breakdown by Process Node

## Net Sales



## NRE Revenue



# Consolidated Earnings Forecast

(Yen in billions)

	FY2023/3	FY2024/3	YoY	YoY %
	Full Year Results	Full Year Forecast as of April 2023 <sup>1</sup>		
<b>Net Sales</b>	192.8	<b>200.0</b>	7.2	3.8%
<b>Operating Income</b>	21.7	<b>22.5</b>	0.8	3.6%
Margin	11.3%	<b>11.3%</b>	0.0%pt	
<b>Profit</b>	19.8	<b>17.5</b>	-2.3	-11.5%
Margin	10.3%	<b>8.8%</b>	-1.5%pt	
<b>Basic Earnings per Share<sup>1</sup></b>	587.02yen	<b>504.55yen</b>		
<b>Dividends per Share</b>	210.00yen	<b>210.00yen</b>		
<b>FX Rate (USD/JPY)</b>	135.5yen	<b>115.0yen</b>		

- **FX sensitivity: Appreciation or depreciation of 1 yen against USD would have impact of approximately 1.3 billion yen on Net Sales and 0.35 billion yen on Operating Income annually. The exchange rate sensitivity of JPY to other currencies would be minor**

1. Figure of "Basic Earnings per Share" in FY2024/3 Full Year Forecast has been revised to reflect the change in the number of shares since April 2023. Calculations are based on 33,666,666 shares for FY2023/3 Full Year Results, and 34,684,312 shares for FY2024/3 Full Year Forecast as of July 2023. This change is due to an exercise of stock option.

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

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.

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## Appendix:

### Overview

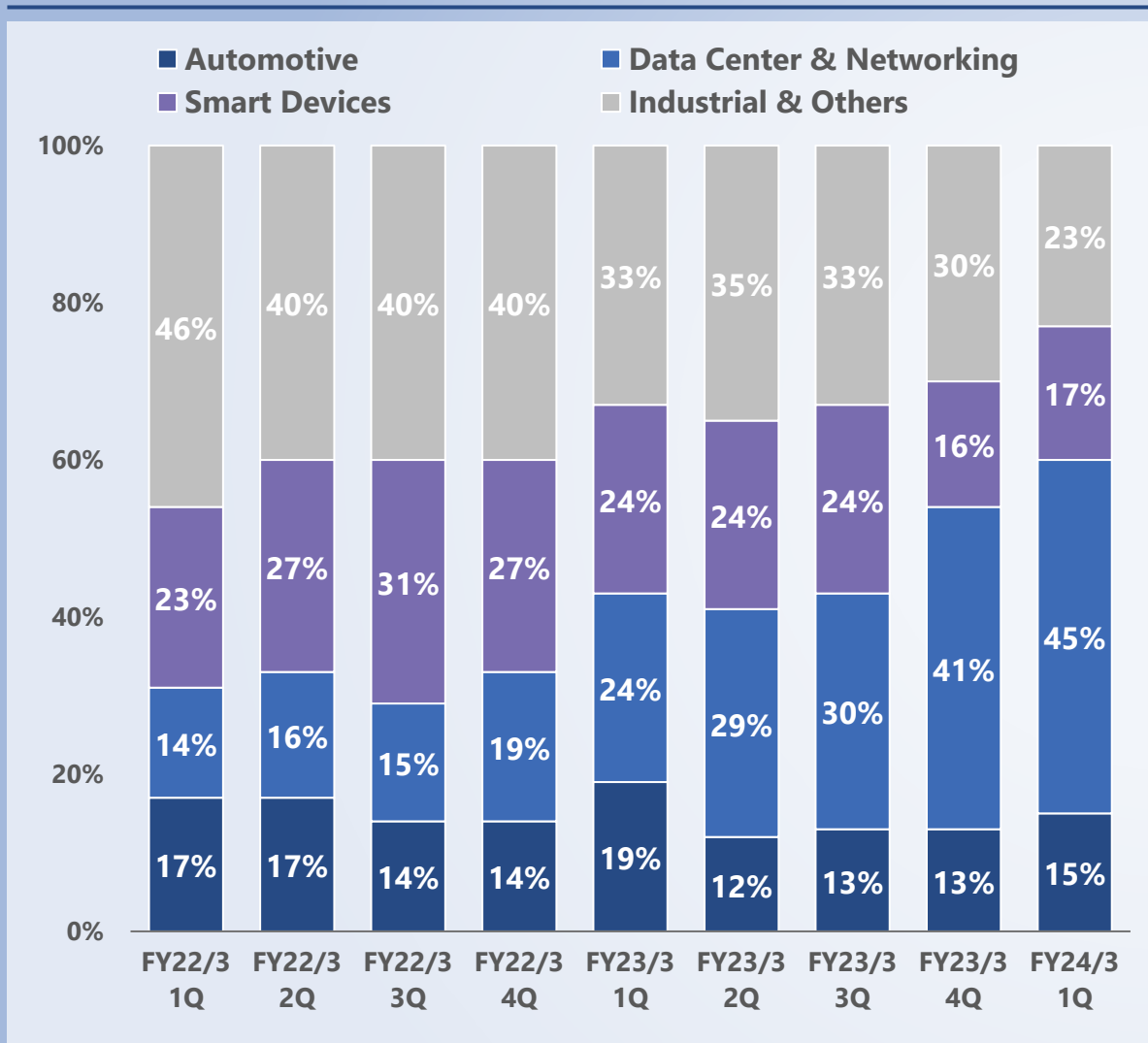
- *Breakdown of Net Sales (Quarterly)*
- *Design Win Illustrative Description*
- *Follow-on Transaction Summary*



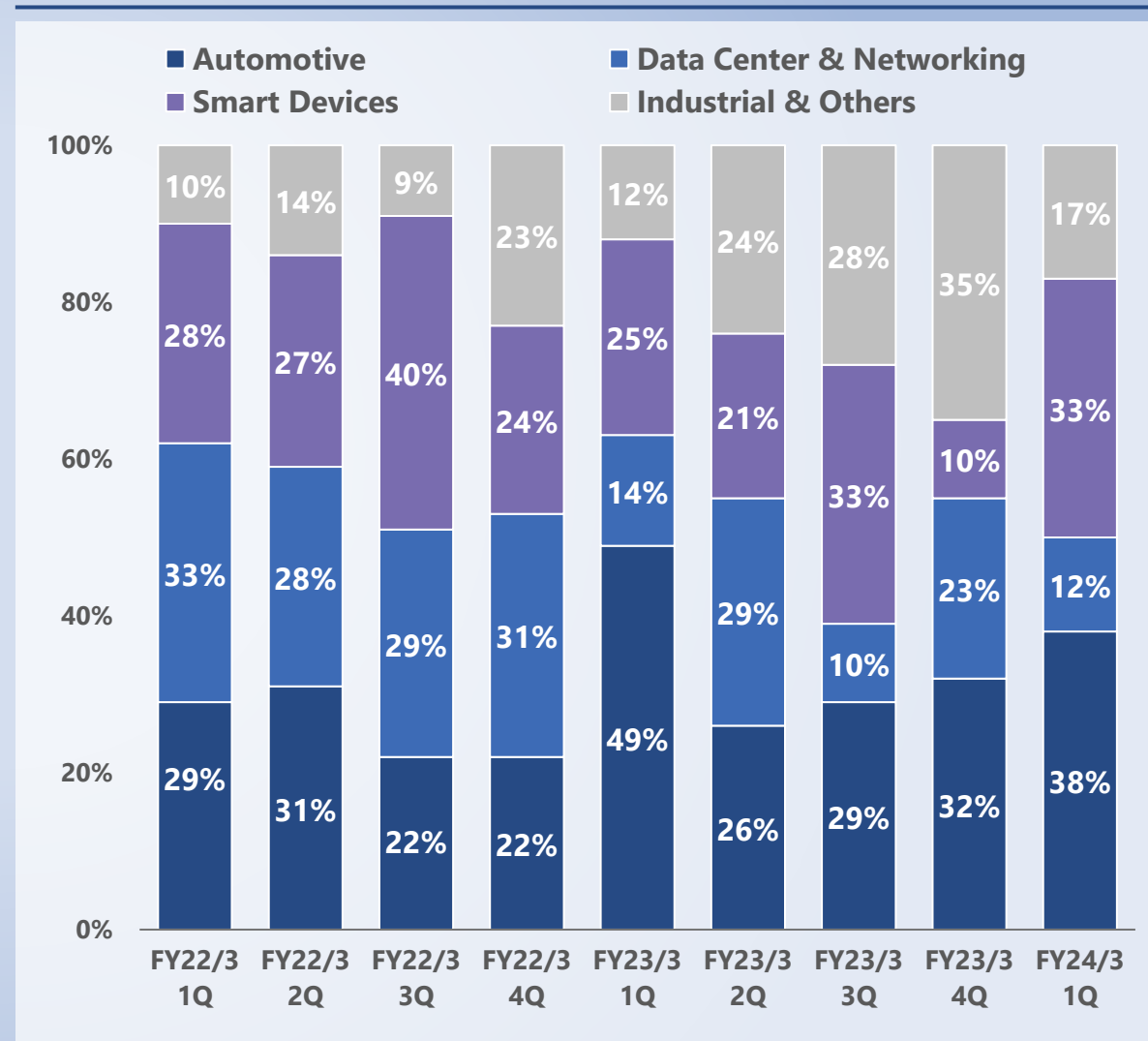


# Breakdown by Application Market (Quarterly Ratios)

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



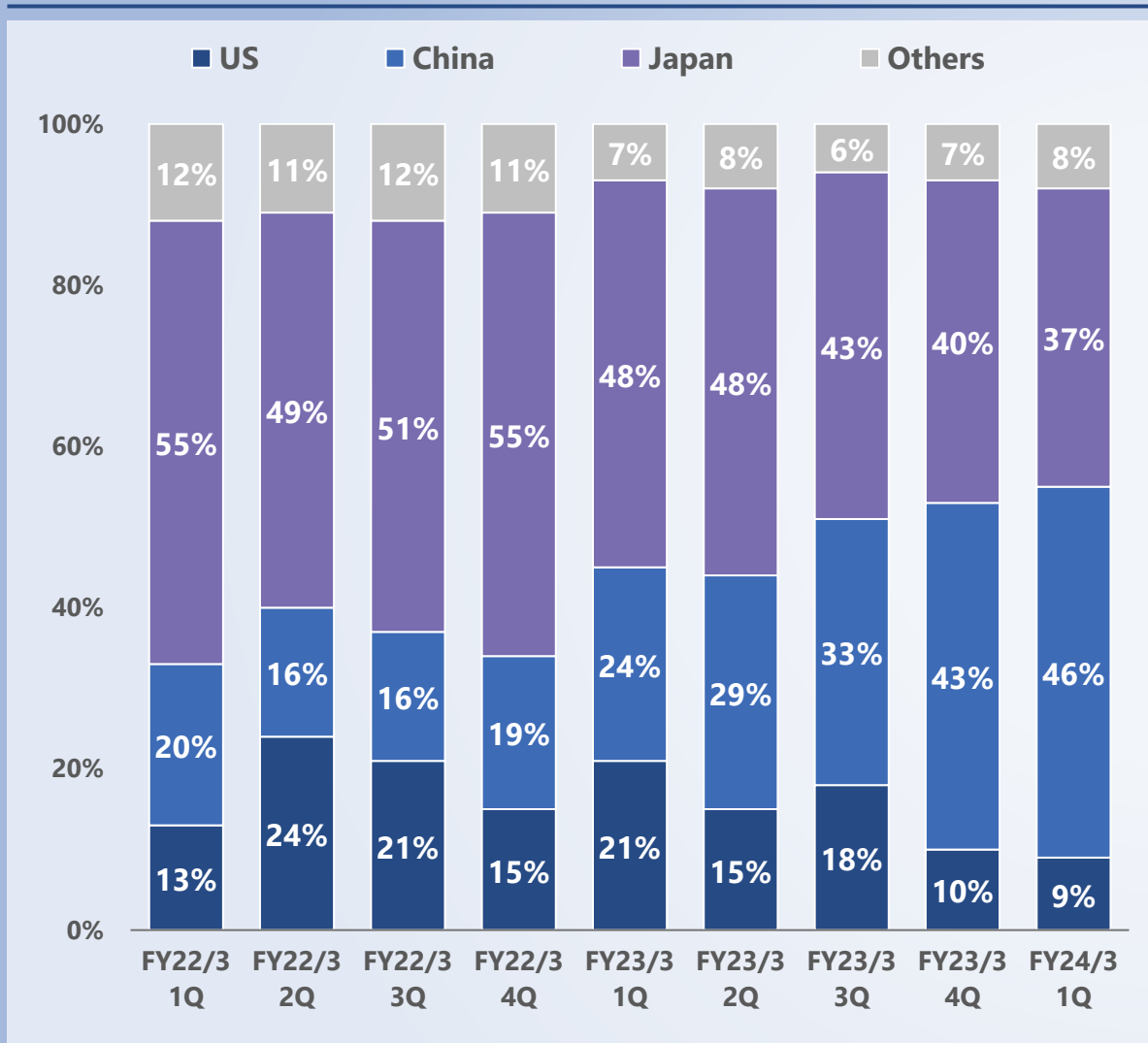
## NRE Revenue<sup>1</sup>



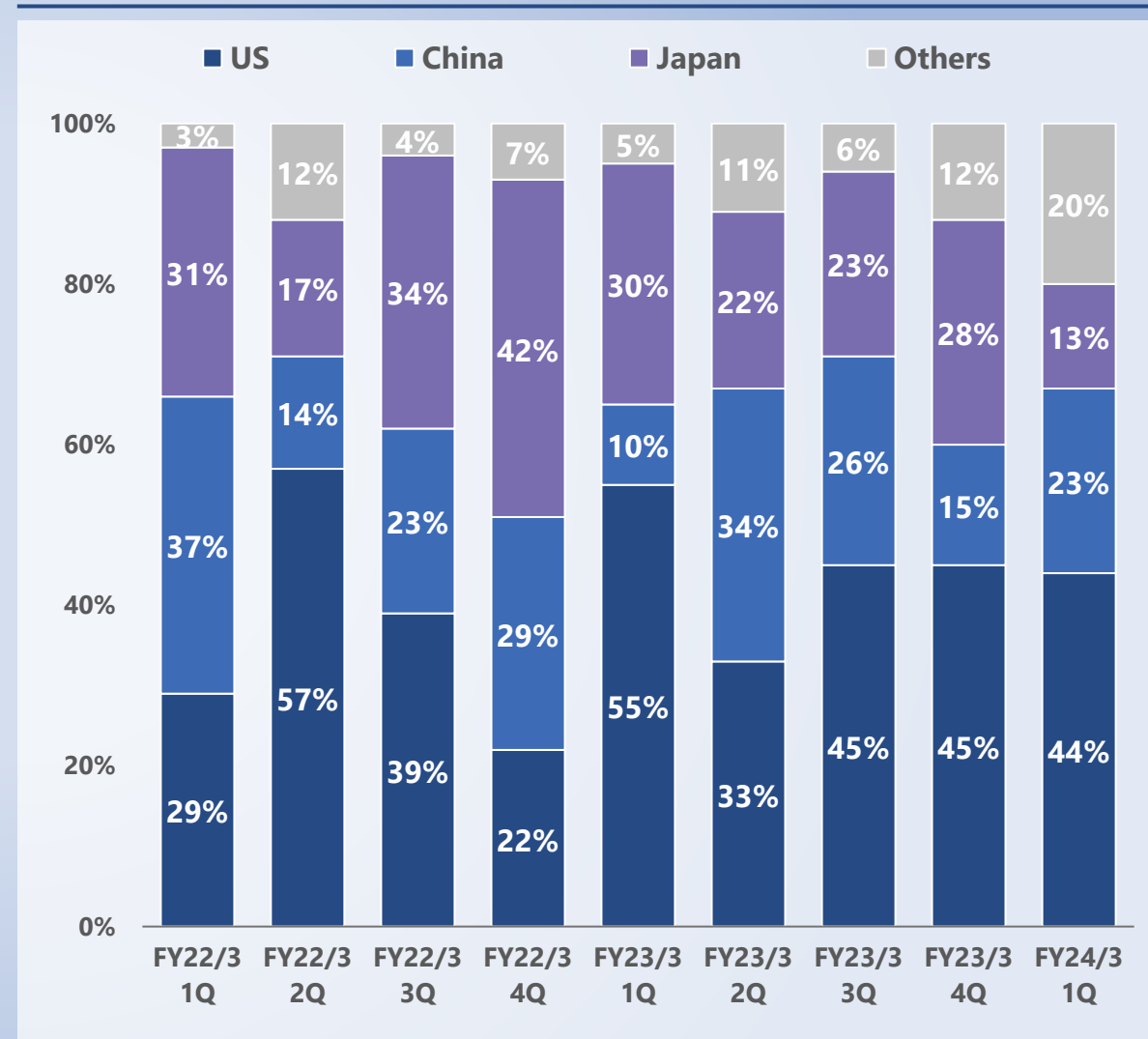
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

# Breakdown by Geographic Region (Quarterly Ratios)

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



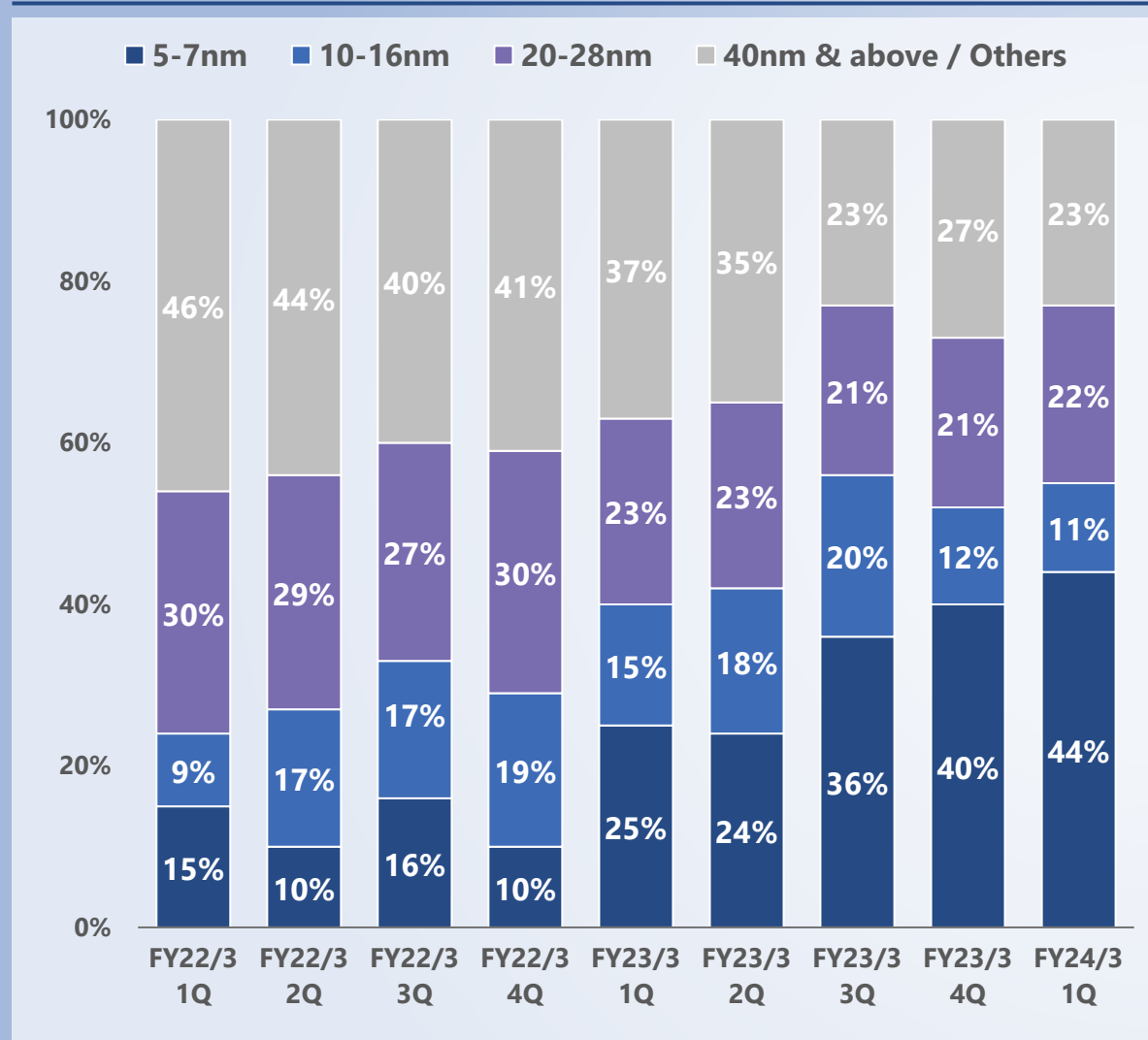
## NRE Revenue<sup>1</sup>



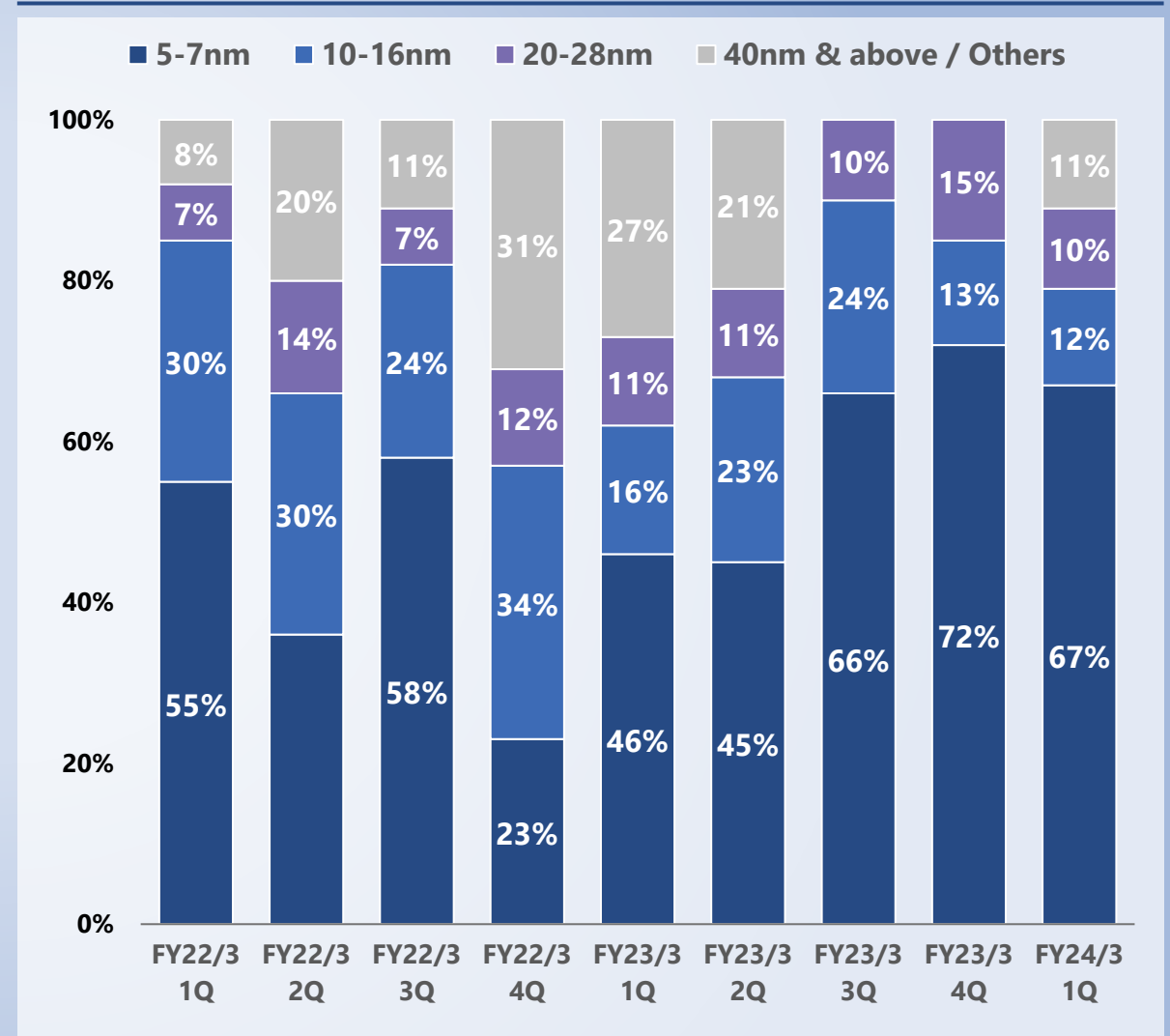
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

# Breakdown by Process Node (Quarterly Ratios)

## 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>



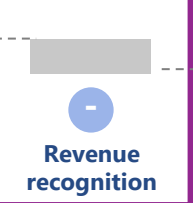
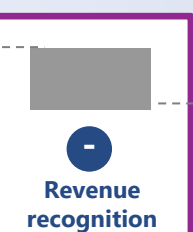
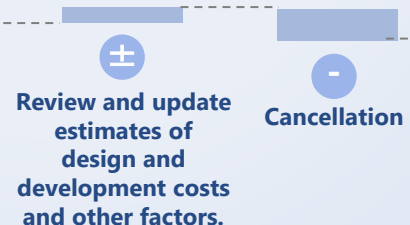
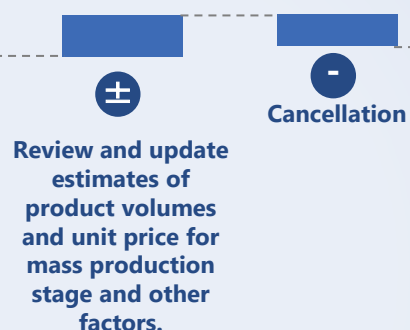
“Design Win Balance”

+  
Additional Design Win “Amount”

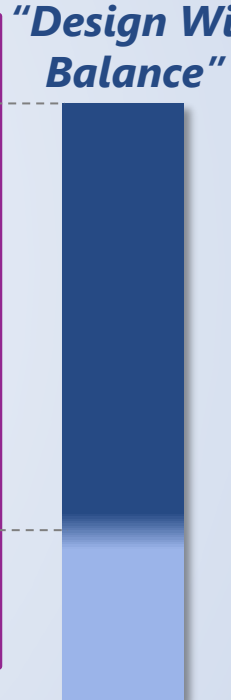
+  
Additional Design Win “Amount”

End of Year N-1

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



Year N Revenue



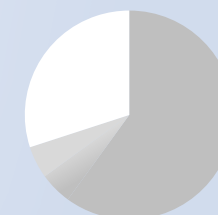
End of Year N

■ Product Revenue  
■ NRE Revenue

“Design Win Balance”  
(As of March 31, 2023)

Approx.

JPY 1 trillion



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 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

<b>Offering Structure</b>	International Offering (Regulation S / Rule 144A)
<b># of Shares Offered</b>	12,624,800 shares (37.5% of total shares outstanding as of March 31, 2023)
<b>Selling Shareholders</b>	Development Bank of Japan, Inc., Fujitsu Limited, Panasonic Holdings Corporation
<b>Price</b>	JPY 14,668 per share
<b>Settlement Date</b>	July 13, 2023 (Thursday)

- Expanding our global shareholding structure that supports our long-term growth journey

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