

2. Dividends per share

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Year end	yen	yen	yen	yen	yen
March 31, 2023	-	0.00	-	210.00	210.00
March 31, 2024	-	115.00	-	-	-
March 31, 2024(Forecast)	-	-	-	23.00	-

Note: Revision of the latest dividends forecast: Yes

Based on the resolution of the Board of Directors' meeting held today (October 31, 2023), the Company will implement a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. The year-end dividend per share forecast is presented considering the impact of the stock split, meanwhile annual dividend per share forecast is presented as “-”. The year-end dividend per share forecast for the fiscal year ending March 31, 2024 will be 115 yen and the annual dividend per share forecast will be 230 yen assuming the stock split was not conducted. For further details, please refer to “Notice Regarding the Revision of Financial Forecasts and the Dividend Forecast, Distribution of Dividends of Surplus (Interim) and Stock Split and Partial Amendment of Articles of Incorporation” announced today (October 31, 2023).

3. Consolidated earnings forecast for the fiscal year ending March 31, 2024 (From April 1, 2023 to March 31, 2024)

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending March 31, 2024	214,000	11.0	29,000	33.6	29,000	23.7	22,500	13.8	127.90

Notes: Revision of the latest consolidated earnings forecast: Yes

Basic earnings per share for the fiscal year ending March 31, 2024 (forecast) is presented considering the stock split notes in “2. Dividends per share”. The amount of basic earnings per share for the fiscal year ending March 31, 2024 (forecast) is 639.52 yen assuming the stock split was not implemented.

※ Notes

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

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

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

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

- ① Changes in accounting policies due to revisions of the accounting standards and other regulations: No
- ② Changes arising from factors other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatements: No

(4) Number of issued shares (Common stock)

① Number of shares issued at the end of the period (including treasury stock)	2nd quarter ended September 30, 2023	35,566,766	Year ended March 31, 2023	33,666,666
② Number of treasury stock held at the end of the period	2nd quarter ended September 30, 2023	123	Year ended March 31, 2023	-
③ Average number of shares during the period	2nd quarter ended September 30, 2023	34,796,107	2nd quarter ended September 30, 2022	33,666,666

Note: Average number of shares during 2nd quarter ended September 30, 2022 is computed based on the assumption that the share consolidation and other events in September, 2022 was conducted at the beginning of the year ended March 31, 2023.

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

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

These materials may contain forward-looking statements that are based on management's current information, actual results may differ materially from these forward-looking statements for various reasons. For information regarding the assumptions used to prepare the forecast and cautionary note of the forecast, please refer to “1. Qualitative information regarding the quarterly consolidated financial results (3) Consolidated earnings forecast and other forward-looking information” on page 4 for more details.

Attachment contents

1. Qualitative information regarding the quarterly consolidated financial results	2
(1) Description of operating results	2
(2) Description of financial position.....	3
(3) Consolidated earnings forecast and other forward-looking information.....	4
2. Quarterly consolidated financial statements and principal notes.....	5
(1) Quarterly consolidated balance sheets	5
(2) Quarterly consolidated statements of income and comprehensive income	7
Quarterly consolidated statements of income.....	7
Quarterly consolidated statements of comprehensive income	8
(3) Quarterly consolidated statements of cash flows	9
(4) Notes to consolidated financial statements.....	10
Assumptions of a going concern.....	10
Significant changes in shareholders' equity	10
Segment information.....	10
Subsequent Events.....	10

1. Qualitative information regarding the quarterly consolidated financial results

(1) Description of operating results

Despite the regional divergences, the overall global economic recovery has slowed down during the 6 months ended September 30, 2023. The COVID-19 pandemic led to supply chains disruptions and a surge in demand, resulting in a tight labor market. Additionally, the prolonged Russian invasion of Ukraine has caused significant disruptions in energy and food supplies, especially in Europe and UK. Besides, factors including tightened monetary policies across the countries, the slow economic recovery in China following the end of the zero-COVID policy and the real estate crisis, and US-China frictions, collectively led to a decline in economic growth rates worldwide, increasing uncertainties regarding future economic prospects. Furthermore, differences in monetary policies among countries and regions resulted in volatility of the Japanese yen.

In semiconductor market, the economic slowdown has resulted in weakened demand for products such as smartphones, PCs, and consumer electronics, which further led to the decline in the demand for semiconductor products, especially memory chips used in these devices. On the other hand, there is a growing demand for semiconductors using cutting-edge technologies, particularly in Autonomous Driving (AD)/Advanced Driver Assistance Systems (ADAS) and Generative AI platforms like Chat GPT in data centers. Moreover, while manufacturers are still operating at high utilization, tight semiconductor supply have significantly eased.

Under such circumstances, the Group (“the Group”, “the Company”, “we” and “our” refer to Socionext Inc., and its consolidated subsidiaries, or Socionext Inc. on a non-consolidated basis, as the context may require) has acquired design wins of custom SoC projects since 2019 in its focus areas including automotive, data center & networking used advanced process technologies such as 7nm and 5nm. Some of those design win projects have entered the mass production stage and contributed to increased net sales especially in product revenue of advanced technologies.

Moreover, in response to the increasing design wins in US market and the subsequent shortages of design and development resources, we opened the new branch office in Bangalore, India, in August 2023 to bolster its engineering resources to support the company’s global business expansion. We also restructured our global design and development resources.

As a result, the consolidated net sales for the 6 months ended September 30, 2023 were 116,988 million yen, an increase of 41.3% from the 6 months ended September 30, 2022. Product revenue was 101,439 million yen, increased by 52.9% compared to the 6 months ended September 30, 2022. The increase was due mainly to an increase in net sales from leading-edge technology projects which have entered mass production stage, in application markets such as data center & networking, smart devices and automotive. Short-term special demand from a Chinese customer, as well as the positive impact of the depreciation of the Japanese yen also contributed to the increase. NRE revenue was 15,215 million yen, resulted from ongoing development projects of products using advanced process technologies. NRE revenue decreased by 5.4% compared to the 6 months ended September 30, 2022.

[Net sales]	(millions of yen)	
	6 months ended September 30, 2022	6 months ended September 30, 2023
Semiconductor products (product revenue)	66,325	101,439
Non-recurring engineering (NRE revenue)	16,087	15,215
Others	355	334
Total	82,767	116,988

Cost of sales was 62,737 million yen, an increase of 49.5% from the 6 months ended September 30, 2022 due to increased product revenue and the depreciation of the Japanese yen. Selling, general and administrative expenses were 35,575 million yen, an increase of 17.2% from the 6 months ended September 30, 2022. Research and development costs of 24,622 million yen (an increase of 11.5% compared to the 6 months ended September 30, 2022) are included. The increase in selling, general and administrative expenses was due to increasing development projects of products using advanced process technologies and the depreciation of the Japanese yen. Operating income in the 6-month period ended September 30, 2023 increased by 78.6% from the 6 months ended September 30, 2022 to 18,676 million yen. Ordinary income was 20,448 million yen, an increase of 66.3% from the 6 months ended September 30, 2022, due mainly to foreign exchange gain. Profit attributable to owners of parent increased by 52.7% from the 6 months ended September 30, 2022, to 15,293 million yen. The Japanese yen/U.S. dollar average exchange rate for the 6 months ended September 30, 2023 was ¥141.0=U.S. \$1, a depreciation of ¥7.0 compared to the 6 months ended September 30, 2022.

The Group has a single segment primarily of SoC developed with the solution SoC business model.

(2) Description of financial position

① Assets, liabilities and net assets

(Assets)

Current assets as of September 30, 2023 decreased by 18,954 million yen from the end of the previous fiscal year to 137,113 million yen. This is mainly due to the decrease in inventories and accounts receivables-other in accordance with increased product revenue and decreased customer-requested upfront procurement. Cash on hand and in banks increased due to the proceeds from the exercise of stock options and the accounts receivable collection despite the payment of income taxes and dividends. Non-current assets as of September 30, 2023 increased by 2,993 million yen from the end of the previous fiscal year to 40,871 million yen. The main capital expenditures in the period include the acquisition of reticles, IP, etc. in connection with product development of acquired design wins, and the expansion of data centers in accordance with increasing development scale.

As a result, total assets as of September 30, 2023 decreased by 15,961 million yen from the end of the previous fiscal year to 177,984 million yen.

(Liabilities)

Current liabilities as of September 30, 2023 decreased by 29,844 million yen from the end of the previous fiscal year to 52,494 million yen. This is due mainly to the decrease in accounts payables-trade and accounts payable-other related to upfront procurement on customer-requested wafer inventories.

As a result, total liabilities as of September 30, 2023 decreased by 29,797 million yen from the end of the previous fiscal year to 54,284 million yen.

(Net assets)

Net assets as of September 30, 2023 increased by 13,836 million yen from the end of the previous fiscal year to 123,700 million yen. This is due mainly to 15,293 million yen in profit attributable to owners of parent for 6 months ended September 30, 2023 and the proceeds from the exercise of stock options, which offset the impact of distribution of surplus.

As a result, the shareholders' equity ratio has been 69.5%, increased by 12.9 percent points from the end of the previous fiscal year. This is due mainly to the decrease in upfront procurement on customer-requested wafer inventories.

② Cash flows

Cash and cash equivalents as of September 30, 2023 increased by 2,321 million yen from the end of the previous fiscal year to 47,457 million yen.

Net cash provided by operating activities was 14,648 million yen for the 6 months ended September 30, 2023. This is due mainly to profit before income taxes of 20,448 million yen, depreciation and amortization of 6,006 million yen, a decrease in accounts receivable of 6,362 million yen in accordance with accounts receivable collection despite the decrease in accounts payables of 9,959 million yen related with customer-requested upfront procurement, and payment of income taxes of 6,122 million yen.

Net cash used in investing activities was 10,934 million yen for the 6 months ended September 30, 2023. This is due mainly to the purchases of 6,029 million yen of property, plant and equipment including reticles and test boards using for products development related to acquired design wins, and those for improving the environment of design and development, and the purchases of 4,900 million yen of intangible assets including IP.

Net cash used in financing activities was 2,665 million yen and this is due to payment of the dividends of 7,070 million yen despite the proceeds from exercise of stock options of 4,364 million yen and deposits for subscriptions of shares of 88 million yen.

The Company entered into an additional half-year commitment line agreement of 10 billion yen as of July 31, 2023, effective from the same date, in response to sales volatility risk related with global economic slowdown and geopolitical risks. In addition to the existing commitment line agreement of 20 billion yen, the maximum amount of borrowing capacity under our commitment lines totals 30 billion yen. As of September 30, there was no outstanding balance under our commitment lines.

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

Despite the recent weakness in the Chinese and consumer markets, the Company has revised its net sales upward from the previous forecast due to steady progress in the development and mass production of new products and the yen's depreciation (137.4 yen in Q1, 144.6 yen in Q2) against the expected exchange rate of 115 yen per dollar in the first half of the fiscal year. The Company also revised up its respective earnings.

The exchange rate for the second half of the fiscal year is assumed to be 125 yen per dollar.

For further details, please refer to “Notice Regarding the Revision of Financial Forecasts and the Dividend Forecast, Distribution of Dividends of Surplus (Interim) and Stock Split and Partial Amendment of Articles of Incorporation” announced today (October 31, 2023).

Revision of consolidated financial result forecast for the fiscal year ending March 31 2024 (From April 1, 2023 to March 31, 2024)

		Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Dividends per share
		millions of yen	millions of yen	millions of yen	millions of yen	yen
Full Year	Previous forecast (A)	200,000	22,500	22,500	17,500	210.00
	Revised forecast (B)	214,000	29,000	29,000	22,500	230.00
	Change (B-A)	14,000	6,500	6,500	5,000	20.00

The Company plans to pay an interim dividend of 115 yen per share for the fiscal year ending March 31, 2024, an increase of 10 yen from the previous forecast. The year-end dividend per share is also expected to increase by 10 yen from the previous forecast to 115 yen. As the result, the annual dividend forecast is expected to total 230 yen per share.

Furthermore, based on the resolution of the Board of Directors’ meeting held on October 31, 2023, the Company will implement a stock split effective as of January 1, 2024 at a ratio of 1 common stock to 5 shares, thereby expanding the investor base.

The amount of dividends per share above is computed based on the number of shares prior to the stock split.

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Assets		
Current assets		
Cash on hand and in banks	45,136	47,457
Accounts receivable-trade, net	40,809	36,974
Finished goods	8,187	10,590
Work in process	39,528	28,592
Accounts receivable-other	16,209	5,814
Other current assets	6,198	7,686
Total current assets	156,067	137,113
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	2,583	2,527
Machinery and equipment, net	8	8
Tools, furniture and fixtures, net	13,438	15,687
Land	800	800
Construction in progress	351	634
Total property, plant and equipment, net	17,180	19,656
Intangible assets		
Technology assets	11,494	13,191
Other	1,468	1,810
Total intangible assets	12,962	15,001
Investments and other assets		
Investment securities	0	0
Deferred tax assets	6,897	5,366
Other assets	839	848
Total investments and other assets	7,736	6,214
Total non-current assets	37,878	40,871
Total assets	193,945	177,984
Liabilities		
Current liabilities		
Accounts payable-trade	23,421	16,037
Accounts payable-other	24,551	3,961
Accrued expenses	5,755	6,932
Income taxes payable	6,942	4,114
Liabilities related to chargeable subcontracting	18,869	18,206
Other current liabilities	2,800	3,244
Total current liabilities	82,338	52,494
Long-term liabilities		
Asset retirement obligations	343	349
Other long-term liabilities	1,400	1,441
Total long-term liabilities	1,743	1,790
Total liabilities	84,081	54,284

(Millions of yen)

	As of March 31, 2023	As of September 30, 2023
Net assets		
Shareholders' equity		
Common stock	30,200	32,455
Deposits for subscriptions of shares	-	88
Capital surplus	30,200	32,455
Retained earnings	48,630	56,853
Treasury stock	-	(2)
Total shareholders' equity	109,030	121,849
Accumulated other comprehensive income		
Foreign currency translation adjustments	822	1,851
Total accumulated other comprehensive income	822	1,851
Share subscription rights	12	-
Total net assets	109,864	123,700
Total liabilities and net assets	193,945	177,984

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

(For 6 months)

(Millions of yen)

	6 months ended September 30, 2022	6 months ended September 30, 2023
Net sales	82,767	116,988
Cost of sales	41,959	62,737
Gross profit	40,808	54,251
Selling, general and administrative expenses	30,352	35,575
Operating income	10,456	18,676
Non-operating income		
Foreign exchange gain	1,823	1,628
Other income	30	174
Total non-operating income	1,853	1,802
Non-operating expenses		
Other expenses	14	30
Total non-operating expenses	14	30
Ordinary income	12,295	20,448
Profit before income taxes	12,295	20,448
Income taxes-current	2,739	3,496
Income taxes-deferred	(457)	1,659
Total income taxes	2,282	5,155
Profit	10,013	15,293
Profit attributable to non-controlling interests	10,013	15,293

Quarterly consolidated statements of comprehensive income
(For 6 months)

(Millions of yen)

	6 months ended September 30, 2022	6 months ended September 30, 2023
Profit	10,013	15,293
Other comprehensive income		
Foreign currency translation adjustments	847	1,029
Total other comprehensive income	847	1,029
Comprehensive income	10,860	16,322
Comprehensive income attributable to:		
Owners of parent	10,860	16,322

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	6 months ended September 30, 2022	6 months ended September 30, 2023
Operating activities		
Profit before income taxes	12,295	20,448
Depreciation and amortization	5,032	6,006
Interest and dividend income	(24)	(139)
Foreign exchange (gain) loss	(1)	-
Loss on retirement of non-current assets	125	673
Loss (gain) on sale of non-current assets	(15)	-
Decrease (increase) in accounts receivable	(4,802)	6,362
Decrease (increase) in inventories	(13,156)	8,534
Increase (decrease) in accounts payable	11,214	(9,959)
Decrease (increase) in other assets	(18,351)	8,839
Increase (decrease) in other liabilities	24,813	(19,920)
Other	(6)	(213)
Subtotal	17,124	20,631
Interest and dividends received	24	139
Income taxes paid	(2,195)	(6,122)
Net cash provided by (used in) operating activities	14,953	14,648
Investing activities		
Purchases of property, plant and equipment	(7,094)	(6,029)
Purchases of intangible assets	(2,661)	(4,900)
Proceeds from sales of non-current assets	15	-
Other	12	(5)
Net cash used in investing activities	(9,728)	(10,934)
Financing activities		
Repayments of lease obligations	(151)	(191)
Proceeds from exercise of stock options	-	4,364
Deposits for subscriptions of shares	-	88
Proceeds from exercise of share award rights	-	146
Purchase of treasury stock	-	(2)
Dividends paid	-	(7,070)
Net cash used in financing activities	(151)	(2,665)
Effect of exchange rate changes on cash and cash equivalents	1,627	1,272
Increase (decrease) in cash and cash equivalents	6,701	2,321
Cash and cash equivalents at the beginning of the fiscal year	46,271	45,136
Cash and cash equivalents at the end of the period	52,972	47,457

(4) Notes to consolidated financial statements

Assumptions of a going concern

None.

Significant changes in shareholders' equity

None.

Segment information

1. 6 months ended September 30, 2022

(From April 1, 2022 to September 30, 2022)

The Group has a single segment primarily of SoC developed with the solution SoC business model.

2. 6 months ended September 30, 2023

(From April 1, 2023 to September 30, 2023)

The Group has a single segment primarily of SoC developed with the solution SoC business model.

Subsequent Events

(Stock Split and Partial Amendment of Articles of Incorporation)

The Company resolved to implement the stock split and partially amend the Articles of Incorporation at the Board of Directors' meeting held on October 31, 2023.

1. Purpose of stock split

The stock split will be undertaken with the aim of expanding the investor base and increasing the liquidity of the Company's stock base through a reduction in the price of share-trading units.

2. Outline of stock split

(1) Method of stock split

The record date of the stock split will be Sunday, December 31, 2023; and it will consist of a split at the ratio of 5 for 1 of all common shares held by shareholders whose names appear or are recorded in the Registry of Shareholders as of the end of the record date. Since this day falls on a non-business day of the shareholder registry administrator, the substantial record date will be Friday, December 29, 2023.

(2) Increase in the number of shares resulting from stock split

Total issued shares before the stock split	35,566,766 shares
Increase in issued shares resulting from the stock split	142,267,064 shares
Total issued shares after the stock split	177,833,830 shares
Total authorized shares after the stock split	673,000,000 shares

Note: "Total issued shares" and "Increase in issued shares" above are based on the total number of issued shares as of September 30, 2023. The stock split may change due to the exercise of stock acquisition rights, etc. up to the record date.

(3) Schedule

Public notice date of the record date (plan)	Friday, December 15, 2023
Record date	Sunday, December 31, 2023
Effective date	Monday, January 1, 2024

3. Effect on per share information

The basic profit attributable to owners of parent per share is listed thereunder based on the assumption that the stock split was conducted at the beginning of the year ended March 31, 2023.

	6 months ended September 30, 2022	6 months ended September 30, 2023
Profit attributable to owners of parent:	yen	yen
Basic	59.48	87.90
Diluted	-	84.91

Note: Diluted earnings per share for 6 months ended September 30, 2022 is not presented because the Company's shares are unlisted as of September 30, 2022, therefore an average quoted stock price is not available although there are dilutive shares.

4. Partial Amendment to the Articles of Incorporation

(1) Reason for amendment

In conjunction with the stock split described above, the Company will amend the total number of shares authorized to be issued described in Article 6 of its Articles of Incorporation in accordance with the split ratio with an effective date of January 1, 2024, pursuant to the provisions of Article 184, Paragraph 2 of the Companies Act of Japan.

(2) Details of amendment

The details of the amendment are as follows.

(Amended portions are underlined.)

Current Articles of Incorporation	Articles of Incorporation After Amendment
Article 6. (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>134,600,000</u> .	Article 6. (Total Number of Shares Authorized to Be Issued) The total number of shares authorized to be issued by the Company shall be <u>673,000,000</u> .

(3) Schedule

Date of Board of Directors' resolution	Tuesday, October 31, 2023
Effective date	Monday, January 1, 2024

5. Others

(1) Change in the amount of common stock

No change

(2) Interim dividends for the fiscal year ending March 31, 2024

Interim dividends for the fiscal year ending March 31, 2024 on the record date of September 30, 2023 is based on the number of shares prior to the stock split.