

2. Dividends per share

	Annual dividends				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Year-end	Total
Year ended/ending	yen	yen	yen	yen	yen
March 31, 2024	-	115.00	-	25.00	-
March 31, 2025	-				
March 31, 2025 (Forecast)		25.00	-	25.00	50.00

Note: Revision of the latest dividends forecast: No

The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. Dividends for 2nd quarter of fiscal year ended March 31, 2024 are presented in actual value terms on a pre-split basis. The total annual dividend per share for fiscal year ended March 31, 2024 is presented as “-” considering the effect of the stock split. The total annual dividend per share for the fiscal year ended March 31, 2024 is 48.00 yen after the stock split.

3. Consolidated earnings forecast for the fiscal year ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

(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, 2025	200,000	(9.6)	27,000	(24.0)	27,000	(27.3)	19,500	(25.4)	108.92

Note: Revision of the latest consolidated earnings forecast: No

※ Notes

(1) Significant changes in the scope of consolidation during the current reporting period: 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: Yes
- ② Changes arising from factors other than ①: No
- ③ Changes in accounting estimates: No
- ④ Retrospective restatements: No

Note: Please refer to “2. Quarterly consolidated financial statements and principal notes (4) Notes to consolidated financial statements: Changes in accounting policies” on page 10 for more details.

(4) Number of issued shares (Common stock)

① Number of shares issued at the end of the period (including treasury stock)	As of June 30, 2024	179,058,580	As of March 31, 2024	178,687,405
② Number of treasury stock held at the end of the period	As of June 30, 2024	788	As of March 31, 2024	788
③ Average number of shares during the period	3 months ended June 30, 2024	178,924,151	3 months ended June 30, 2023	171,068,070

Note: The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. “Average number of shares during the period” is computed based on the assumption that the stock split was implemented at the beginning of the year ended March 31, 2024.

※ Review of the Japanese-language originals of the attached consolidated quarterly financial statements by certified public accountants or an audit firm: Yes (voluntary)

※ 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. Overview of operating results (3) Consolidated earnings forecast and other forward-looking information” on page 4 for more details.

Attachment contents

1. Overview of operating results.....	2
(1) Overview of operating results for the 3 months ended June 30, 2024.....	2
(2) Overview of financial position for the 3 months ended June 30, 2024	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
Changes in accounting policies	10
Segment information.....	10
Significant changes in shareholders' equity	10
Assumptions of a going concern.....	10
Subsequent Events.....	10

1. Overview of operating results

(1) Overview of operating results for the 3 months ended June 30, 2024

The global economy has continued to experience high uncertainty during the 3 months ended June 30, 2024, due to increased global instability, exacerbated by factors such as geopolitical risks, including the prolonged Russian invasion of Ukraine and escalation in Middle East tensions, strong inflationary pressures, persistently high interest rates primarily in Europe and the U.S., as well as stagnant domestic demand in China. Consequently, the global economic growth rates have remained low, despite a slight improvement compared to previous quarter ended March 31, 2024. Furthermore, differences in monetary policies among countries and regions have resulted in a continuous depreciation of the Japanese yen.

The semiconductor market has experienced significant recovery with double-digit growth compared to the 3 months ended June 30, 2023, driven by factors such as the rapid adoption of generative AI (artificial intelligence) since the latter half of previous fiscal year ended March 31, 2024, and the recovery in smartphone demand. By product category, memories and logic ICs have achieved double-digit growth compared to the 3 months ended June 30, 2023. This is due to inventory adjustments and improved supply-demand conditions for memories, as well as robust demand for logic ICs in data centers. In terms of applications, there are varied recovery patterns. There has been an expansion in demand for data centers driven by the strong demand for generative AI, as well as a recovery in demand for smartphones and PCs. However, demand for industrial equipment, office equipment, and automotive applications remained either negative or flat compared to the 3 months ended June 30, 2023. In the Logic ICs sector, the data center & networking as well as automotive areas where 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) focuses, experienced growth compared to the 3 months ended June 30, 2023. Moreover, there has been a resilient increase in demand for semiconductors using cutting-edge technologies in these areas.

The Group has been acquiring more design wins in its focus areas including automotive and data center & networking. This success is due to the transformation of the business model, shift of focus areas to high-growth and cutting-edge business areas where more global large-scale businesses are expected, as well as structural reform including bold transformation in business structure, all implemented by current CEO since his appointment in April 2018 (which we refer to as phase 1 transformation). Through the transformation, we have acquired design win amount (a foreign exchange assumption of ¥100=U.S. \$1 has been used) of roughly 200 billion yen during each of the fiscal years ended March 31, 2020, 2021 and 2022, an increase from the design win amount of roughly 100 billion yen for the fiscal year ended March 31, 2019. From the fiscal year ended March 31, 2023, we have been further achieving design win amount of 250 billion yen. Additionally, the acquired design wins have entered the mass production stage and are steadily contributing to increasing net sales. Moreover, we are also proceeding with our next stage of transformation, which we call phase 2 transformation. This phase aims to establish a competitive R&D structure and create a dynamic business culture as a global company. We are intensifying our efforts to transform our corporate systems, organizational structures, and employee awareness through ongoing communication with global customers, players in the semiconductor ecosystem and investors.

Additionally, we established the Global Leading Group, aiming to create a structure tasked with large-scale advanced technology projects as model cases. With the Global Leading Group at the core, we have been continuously improving by integrating several key activities: establishing a computer-architecture-based design and development platform as well as standard design and development processes suitable for the Solution SoC business model, enhancing both the efficiency and visibility of these processes, alongside reforms in design and development management. Moreover, we have opened the new branch office in Bangalore, India, under Socionext America Inc. in previous fiscal year ended March 31, 2024, to strengthen our global design and development capabilities. Our research and development costs consist of both upfront investments in advanced technologies for acquiring design wins in our focus areas and investments in product development linked to acquired design wins. For the 3 months ended June 30, 2024, our research and development costs increased by 23.0% to 14,961 million yen, due mainly to product development related with increasing acquired design wins. To utilize the latest advanced technologies in the evolving ecosystem, we closely collaborate with partners including Arm and TSMC, and actively invest in advanced technologies including 2nm and finer process nodes, advanced packaging technologies such as chiplet, application of latest EDA tools as well as platformization. The development of SoCs for Advanced Driver Assistance Systems (ADAS)/ Autonomous Driving (AD) using 3nm automotive process is also progressing smoothly. Besides, we will continue to be engaged in advanced technologies including 2nm or finer process nodes and chiplets as well as in the adoption of AI for design and development process.

Moreover, we have integrated the related organizations of the production planning, control and supply chain management in Taiwan and Japan to enhance our global production and procurement system. Given the concentration of suppliers in Taiwan, we have allocated a production control team there to establish a direct interface and strengthen our coordination with these suppliers. As a result, we have been developing a structure that allows us to respond swiftly to any changes in manufacturing capacities of our manufacturing partners.

As we acquired design wins of large-scale projects for advanced development over the past few years, we have strengthened our relationships with global companies that form the ecosystem across the semiconductor industry. We have particularly made progress in joint development projects in advanced technology areas by establishing and enhancing management-level relationships with global companies headquartered in North America and Taiwan.

The consolidated net sales for the 3 months ended June 30, 2024 were 52,783 million yen, a decrease of 14.1% from the 3 months ended June 30, 2023. Our net sales consist of product revenue from the applicable products which entered the mass production stage and NRE revenue received from customers based on costs incurred in scheduled milestones during the design and development process. Product revenue was 42,289 million yen, decreased by 20.1% compared to the 3 months ended June 30, 2023. The decrease was due mainly to the special demand of 5G base stations from a Chinese customer concluded in fiscal year ended March 31, 2024, despite that the leading-edge technology projects which have entered mass production stage, in application markets such as automotive, and smart devices and have contributed to product revenue. NRE revenue was 10,313 million yen, an increase of 23.1% from the 3 months ended June 30, 2023, due to ongoing development projects of products requiring 7nm and finer process nodes in automotive area.

[Net sales]	(millions of yen)	
	3 months ended June 30, 2023	3 months ended June 30, 2024
Semiconductor products (product revenue)	52,920	42,289
Non-recurring engineering (NRE revenue)	8,381	10,313
Others	146	181
Total	61,447	52,783

Cost of sales was 22,947 million yen, a decrease of 33.5% from the 3 months ended June 30, 2023. Selling, general and administrative expenses were 19,571 million yen, an increase of 16.2% from the 3 months ended June 30, 2023. 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 3 months ended June 30, 2024 increased by 1.5% from the 3 months ended June 30, 2023 to 10,265 million yen. Ordinary income was 10,808 million yen due mainly to foreign exchange gain, decreased by 2.7% from the 3 months ended June 30, 2023. Profit attributable to owners of parent decreased by 4.8% from the 3 months ended June 30, 2023, to 7,574 million yen.

The Japanese yen/U.S. dollar average exchange rate for the 3 months ended June 30, 2024 was ¥155.9=U.S. \$1, a depreciation of ¥18.5 compared to the 3 months ended June 30, 2023.

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

(2) Overview of financial position for the 3 months ended June 30, 2024

① Assets, liabilities and net assets

(Assets)

Current assets as of June 30, 2024 decreased by 2,913 million yen from the end of the previous fiscal year to 135,988 million yen. This is mainly due to the decrease in inventories and accounts receivables-other in accordance with decreased customer-requested upfront procurement despite the accounts receivable increased in accordance with increased NRE revenue.

Non-current assets as of June 30, 2024 decreased by 6,032 million yen from the end of the previous fiscal year to 41,907 million yen. This is due mainly to the increased depreciation expenses despite the acquisition of reticles, IP, etc. in connection with product development of acquired design wins.

As a result, total assets as of June 30, 2024 decreased by 8,945 million yen from the end of the previous fiscal year to 177,895 million yen.

(Liabilities)

Current liabilities as of June 30, 2024 decreased by 13,030 million yen from the end of the previous fiscal year to 40,064 million yen. This is due mainly to the decrease of income taxes payable and accrued expenses related with the payment of income taxes and bonuses, as well as the decrease in accounts payables-trade and accounts payable-other related to customer-requested upfront procurement.

As a result, total liabilities as of June 30, 2024 decreased by 12,983 million yen from the end of the previous fiscal year to 42,837

million yen.

(Net assets)

Net assets as of June 30, 2024 increased by 4,038 million yen from the end of the previous fiscal year to 135,058 million yen. This is due mainly to 7,574 million yen in profit attributable to owners of parent for 3 months ended June 30, 2024 and the proceeds from the exercise of stock options.

As a result, the shareholders' equity ratio has been 75.8%, increased by 5.7 percent points from the end of the previous fiscal year.

② Cash flows

Cash and cash equivalents as of June 30, 2024 decreased by 658 million yen from the end of the previous fiscal year to 69,080 million yen.

Net cash provided by operating activities was 4,560 million yen for the 3 months ended June 30, 2024, compared to 4,508 million yen used for the 3 months ended June 30, 2023. This is due mainly to profit before income taxes of 10,808 million yen, despite the payment of income taxes of 5,528 million yen.

Net cash used in investing activities was 1,622 million yen for the 3 months ended June 30, 2024, compared to 4,227 million yen used for the 3 months ended June 30, 2023. This is due mainly to the purchases of 973 million yen of property, plant and equipment including reticles and test boards for product development for the acquired design wins, and the purchases of 624 million yen of intangible assets including IP.

Net cash used in financing activities was 4,468 million yen, compared to 3,356 million yen used for the 3 months ended June 30, 2023, and this is due to payment of the dividends of 4,467 million yen.

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

The forecast for the consolidated earnings for the current fiscal year ending March 31, 2025 remains the same as the announcement in "Consolidated Financial Results for the Fiscal Year Ended March 31, 2024" on April 26, 2024.

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Assets		
Current assets		
Cash on hand and in banks	69,738	69,080
Accounts receivable-trade, net	35,257	37,802
Finished goods	6,090	5,834
Work in process	19,414	16,080
Accounts receivable-other	2,935	1,607
Other current assets	5,467	5,585
Total current assets	138,901	135,988
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,441	3,313
Machinery and equipment, net	6	6
Tools, furniture and fixtures, net	17,318	15,721
Land	800	800
Construction in progress	235	198
Total property, plant and equipment, net	21,800	20,038
Intangible assets		
Technology assets	16,166	15,210
Other intangible assets	2,298	2,231
Total intangible assets	18,464	17,441
Investments and other assets		
Investment securities	0	0
Deferred tax assets	6,740	3,468
Other assets	935	960
Total investments and other assets	7,675	4,428
Total non-current assets	47,939	41,907
Total assets	186,840	177,895

(Millions of yen)

	As of March 31, 2024	As of June 30, 2024
Liabilities		
Current liabilities		
Accounts payable-trade	15,764	16,038
Accounts payable-other	9,334	9,011
Accrued expenses	8,859	4,464
Income taxes payable	6,817	937
Liabilities related to chargeable subcontracting	9,319	5,188
Other current liabilities	3,001	4,426
Total current liabilities	53,094	40,064
Long-term liabilities		
Asset retirement obligations	350	353
Lease liabilities	2,042	2,069
Other long-term liabilities	334	351
Total long-term liabilities	2,726	2,773
Total liabilities	55,820	42,837
Net assets		
Shareholders' equity		
Common stock	32,656	32,742
Deposits for subscriptions of shares	85	37
Capital surplus	32,656	32,742
Retained earnings	63,604	66,711
Treasury stock	(3)	(3)
Total shareholders' equity	128,998	132,229
Accumulated other comprehensive income		
Foreign currency translation adjustments	2,022	2,670
Total accumulated other comprehensive income	2,022	2,670
Share award rights	-	159
Total net assets	131,020	135,058
Total liabilities and net assets	186,840	177,895

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

(For 3 months)

(Millions of yen)

	3 months ended June 30, 2023	3 months ended June 30, 2024
Net sales	61,447	52,783
Cost of sales	34,496	22,947
Gross profit	26,951	29,836
Selling, general and administrative expenses	16,842	19,571
Operating income	10,109	10,265
Non-operating income		
Interest income	56	103
Foreign exchange gain	943	445
Other income	15	9
Total non-operating income	1,014	557
Non-operating expenses		
Other expenses	14	14
Total non-operating expenses	14	14
Ordinary income	11,109	10,808
Profit before income taxes	11,109	10,808
Income taxes-current	482	(49)
Income taxes-deferred	2,675	3,283
Total income taxes	3,157	3,234
Profit	7,952	7,574
Profit attributable to owners of parent	7,952	7,574

Quarterly consolidated statements of comprehensive income
(For 3 months)

(Millions of yen)

	3 months ended June 30, 2023	3 months ended June 30, 2024
Profit	7,952	7,574
Other comprehensive income		
Foreign currency translation adjustments	786	648
Total other comprehensive income	786	648
Comprehensive income	8,738	8,222
Comprehensive income attributable to:		
Owners of parent	8,738	8,222

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	3 months ended June 30, 2023	3 months ended June 30, 2024
Cash flows from operating activities		
Profit before income taxes	11,109	10,808
Depreciation and amortization	2,894	3,740
Interest and dividend income	(56)	(103)
Loss on retirement of non-current assets	506	179
Decrease (increase) in accounts receivable	(4,375)	(1,407)
Decrease (increase) in inventories	3,922	3,590
Increase (decrease) in accounts payable	(4,119)	(2,200)
Decrease (increase) in other assets	(367)	1,174
Increase (decrease) in other liabilities	(8,235)	(5,902)
Other	256	106
Subtotal	1,535	9,985
Interest and dividends received	56	103
Income taxes paid	(6,099)	(5,528)
Net cash provided by (used in) operating activities	(4,508)	4,560
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,485)	(973)
Purchases of intangible assets	(738)	(624)
Other	(4)	(25)
Net cash used in investing activities	(4,227)	(1,622)
Cash flow from financing activities		
Repayments of lease obligations	(92)	(125)
Proceeds from exercise of stock options	2,684	172
Deposits for subscriptions of shares	1,123	(48)
Purchase of treasury stock	(1)	-
Dividends paid	(7,070)	(4,467)
Net cash used in financing activities	(3,356)	(4,468)
Effect of exchange rate changes on cash and cash equivalents	889	872
Increase (decrease) in cash and cash equivalents	(11,202)	(658)
Cash and cash equivalents at the beginning of the fiscal year	45,136	69,738
Cash and cash equivalents at the end of the period	33,934	69,080

(4) Notes to consolidated financial statements

Changes in accounting policies

(Application of Accounting Standard for Current Income Taxes)

Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022) (hereinafter referred to as “Revised Accounting Standard 2022”), have been adopted from the beginning of the current fiscal year ended March 31, 2025 under review. The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of the paragraph 65-2 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (hereinafter referred to as “Revised Implementation Guidance 2022”). These changed in accounting policies have no impact on the consolidated financial statements.

For the amendment to changes in accounting treatment of the consolidated financial statements, when gains and losses on sales of shares in subsidiaries resulting from transactions between the consolidated companies were deferred for tax purposes, the Revised Implementation Guidance 2022 have been adopted from the beginning of the first quarter of the year ending March 31, 2025. The changes in accounting policies were applied retrospectively. Hence, the consolidated financial statements for the previous first quarter ended June 30, 2024 and the previous fiscal year ended March 31, 2024 were modified retrospectively. This change in accounting policies has no impact on the consolidated financial statements for the previous first quarter ended June 30, 2023 and the previous fiscal year ended March 31, 2024.

Segment information

1. 3 months ended June 30, 2023

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

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

2. 3 months ended June 30, 2024

(From April 1, 2024 to June 30, 2024)

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

Significant changes in shareholders' equity

None.

Assumptions of a going concern

None.

Subsequent Events

None.