

The Socionext logo is displayed in white lowercase letters on a dark blue background. The background of the slide features a large, light blue arrow pointing to the right, which frames the text on the right side.

socionext™

3Q FY2023/3

Consolidated Financial Results

January 30, 2023
Socionext Inc.

Thank you all for taking time today.
This is Masahiro Koezuka, CEO of Socionext.

Let me start with a quick overview of the company, followed by the 3rd quarter earnings as well as other additional information.



Introduction

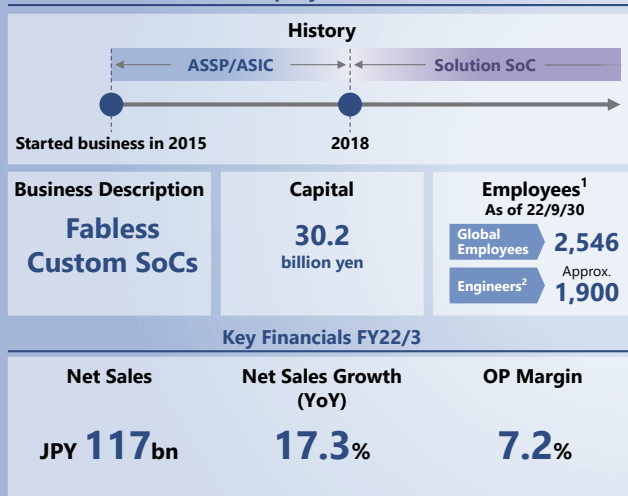
- *Socionext at a Glance*
- *Solution SoC Business Model*
- *Transformation*
- *Market*

**Consolidated Financial Results
for the 9 Months Ended December 31, 2022
Mid-Term Financial Model**

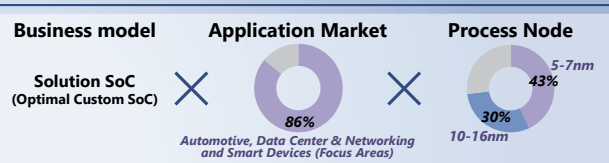


- Socionext has developed a new and distinctive “Solution SoC” business model to provide optimal custom SoC to customers who need advanced and innovative chips

Company Overview



Business Overview (Ratio is NRE revenue breakdown for FY22/3)



~Socionext's Positioning in Semiconductor Market~



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. This market size is estimated by Socionext based on Omdia data "Competitive Landscaping Tool CLT, Annual- 4Q22".

This slide shows an overview of the company.

We are a fabless semiconductor company that provides custom SoCs. Within the custom SoC market, we have developed a new and distinctive business model that we refer to as “Solution SoC”.

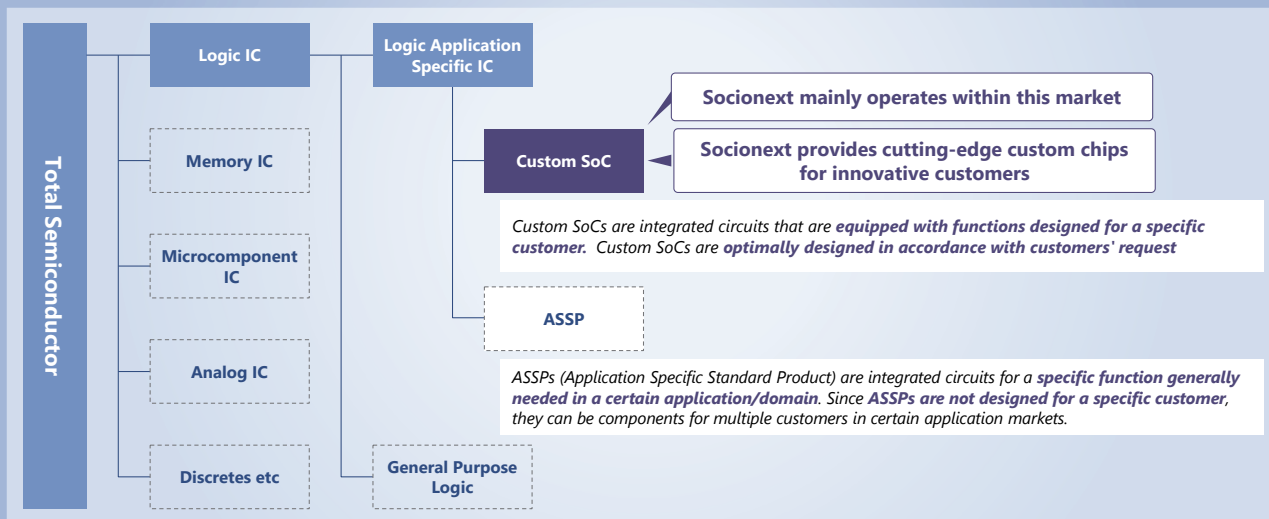
Our market areas of focus include Automotive, Data Center & Networking and Smart Devices.

We believe that our new and distinctive business model “Solution SoC” has better competitive edge over custom SoCs provided by traditional ASIC or by ASSP vendors. In particular, we believe we have a greater advantage, especially in the automotive market.

We focus on such market areas where solid growth is expected.

We also believe that our business model is gaining more support from advanced and innovative customers who are not satisfied with custom SoCs provided by traditional ASIC or by ASSP vendors.

- 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)

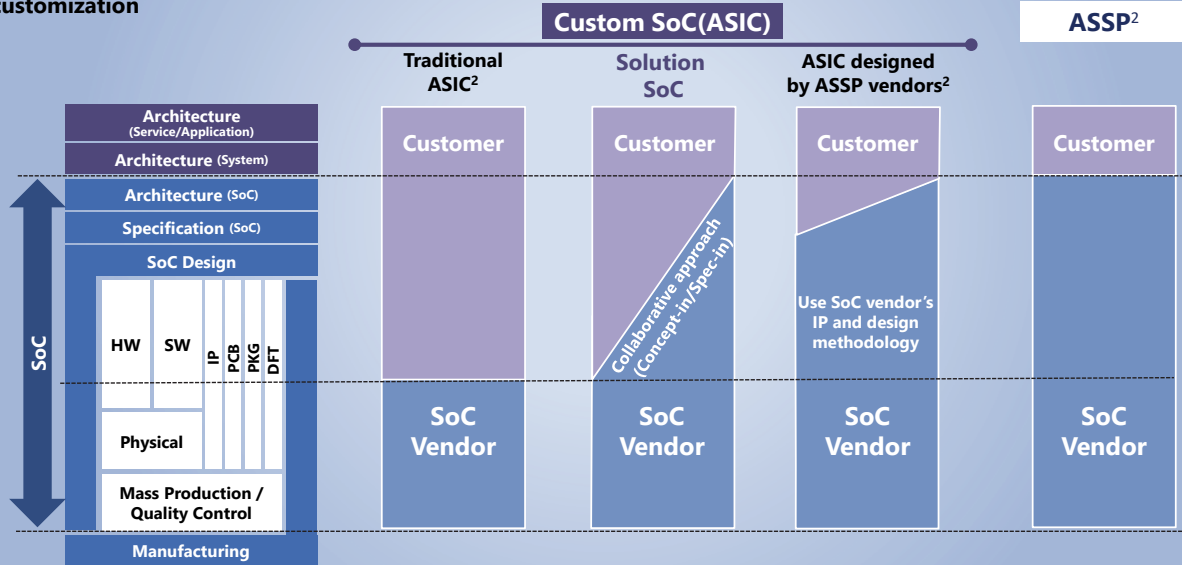


This slide shows where custom SoCs and ASSPs are positioned in the larger semiconductor market.

We operate mainly in the custom SoC market, where an SoC is designed for a specific customer. Those who are not satisfied with ASSPs would use custom SoCs.

ASSPs are similar with custom SoCs in a sense that they are designed for a specific application. However, ASSPs are intended for multiple users and are not designed to meet the specific needs or requirements of a particular customer.

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

This slide shows the features of our Solution SoC business model as compared with other business models. Our solution SoC can be categorized as a type of Custom SoC, but we characterize it as new and distinctive.

With the Solution SoC business model, we work with customers from the upstream stage of SoC development and define the SoC architecture and specifications. We call this design and develop method a “collaborative design approach”.

The primary difference between traditional ASIC and the Solution SoC model is how to interface with customers.

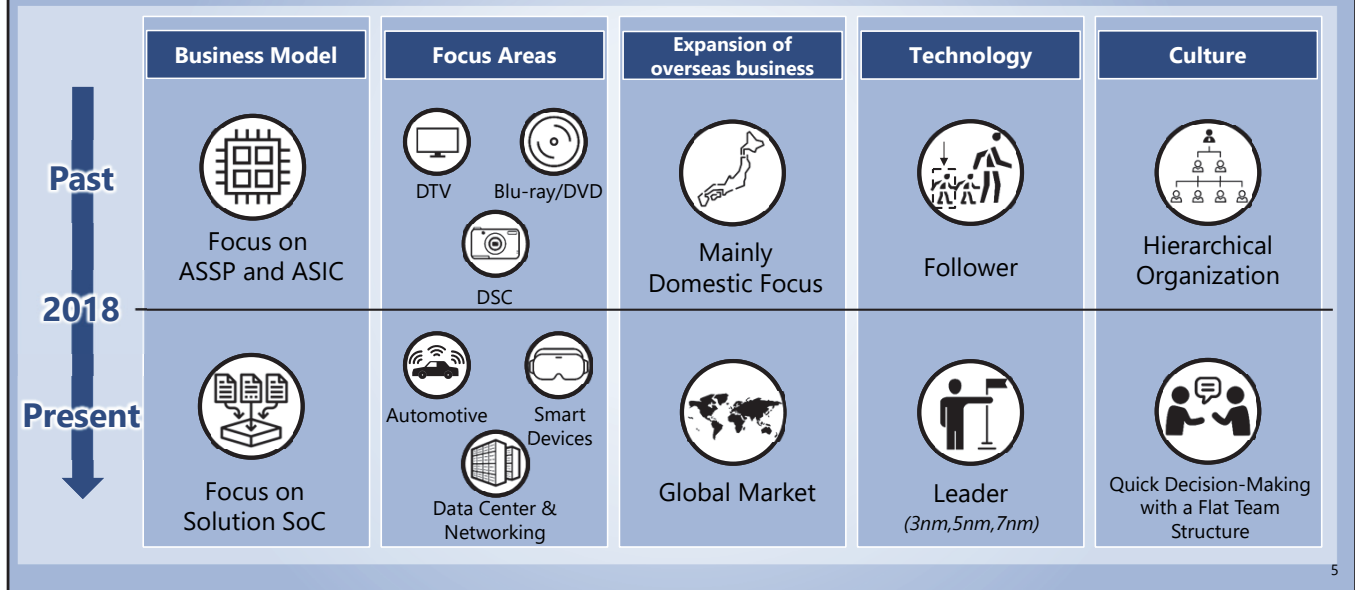
Traditional ASIC vendors simply receive the specifications from customers and conduct physical design. Customers need to have their own capabilities and resources for the upstream design.

On the other hand, Socionext is able to provide custom SoCs for wider range of customers through its collaborative approach, including emerging companies who cannot perform, or do not have enough resources to perform upstream SoC design.

I would also like to note that we can provide optimized custom SoCs based on the deep understanding of the customers’ both software and hardware.

Transformation into a Global Custom SoC Vendor in Advanced Technology Area

- Through a transformation of business and company culture, Socionext has turned into a global leading custom SoC vendor with a new and distinctive business model that the company refers to as "Solution SoC"



This slide shows how we went through our transformation.

In 2018, I took over as the CEO and implemented a transition from ASSP and traditional ASIC businesses to a new and distinctive business model that we refer to as "Solution SoC".

The Image of Timeline from Design Win to Mass Production

Illustrative Description of "Design Win Amount"

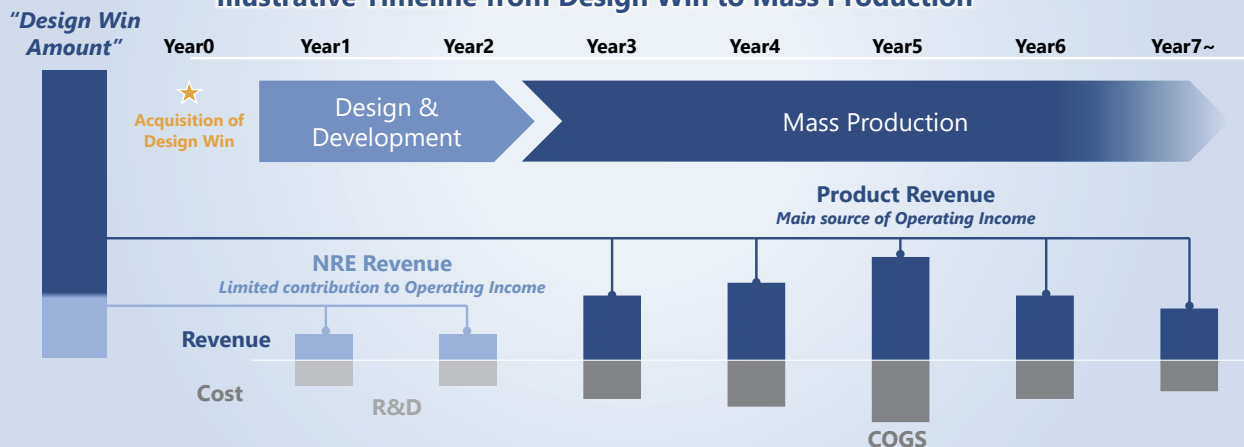
"Design Win Amount" . . .

"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 customers¹
- A foreign exchange assumption of \$1=¥100 has been used

Illustrative Timeline from Design Win to Mass Production²



1. Refer to slide 41

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

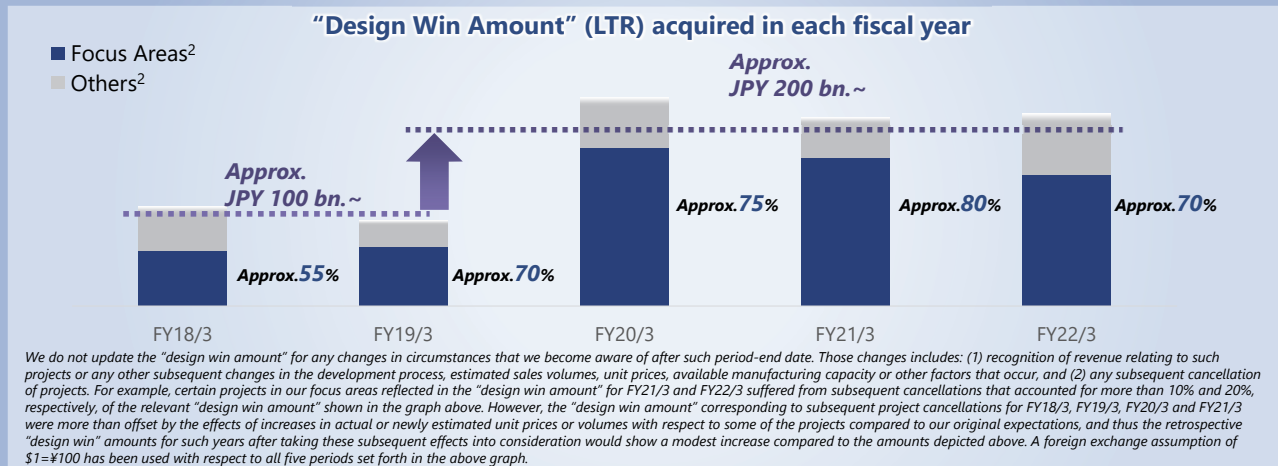
This slide illustrates a general timeline from a design win to mass production.

Our typical business flow is to acquire a design win first, which leads to NRE revenue during the design and development stage, followed by the mass production stage where we generate product revenue.

"Design win amount" represents our estimate of the lifetime demand from a project for which we acquired the design win, at the time when we enter into the contract.

Please note that we estimate Design Win Amount based on various assumptions.

- Roughly doubled annual “Design Win Amount”¹ since the transformation in 2018, especially in the focus areas²



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.
2. Our focus areas are (a) Automotive, (b) Data Center & Networking and (c) Smart Devices. Others mainly include Industrial Automation and IoT & Radar Sensing (RF-CMOS Solution)

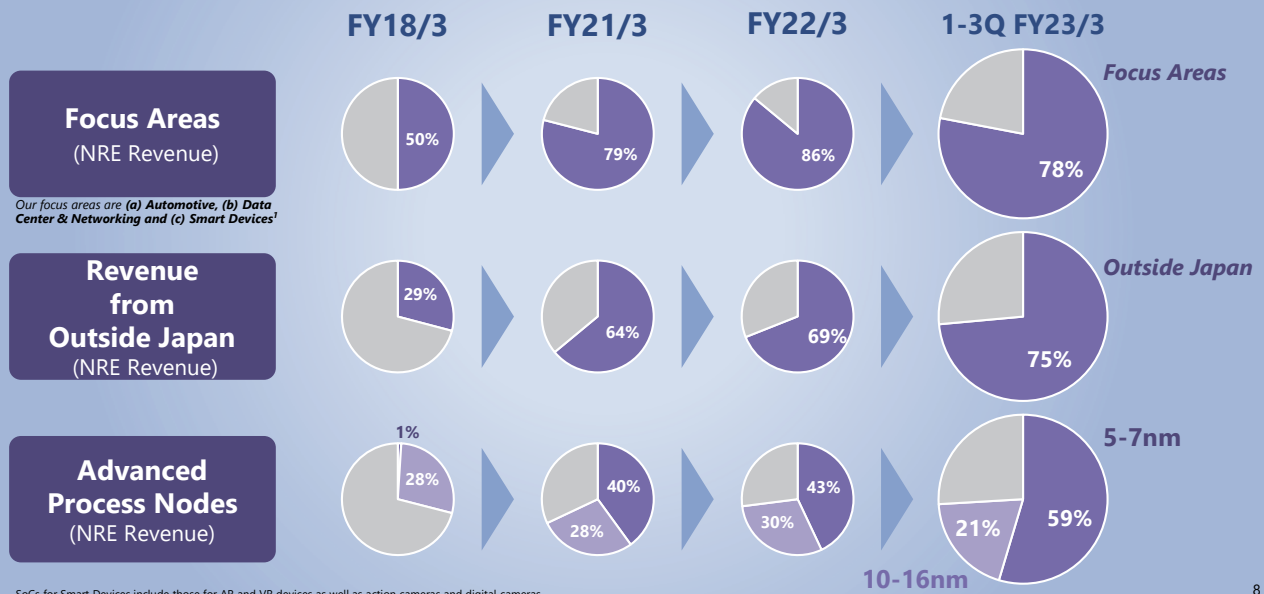
This slide illustrates the recent increase in the design win amount.

Since we began implementing our business transformation in 2018, we have gained more design wins in global and large-scale projects, especially in our focus areas such as “Automotive”, “Data centers & Networking” and “Smart Devices”, where high growth is expected.

Particularly in our focus areas, Design Win Amount increased in the fiscal year March 2020, and we have been maintaining high level of design wins amounts since then.

Transforming into a Global SoC Company with Cutting-edge Technologies

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

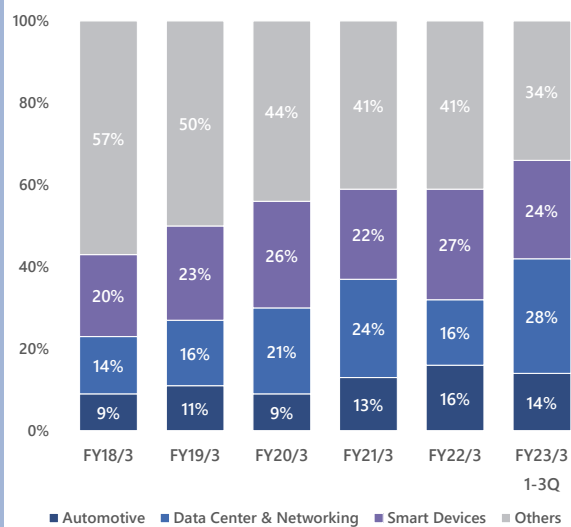


This slide shows the results of our business transformation using the actual figures of our NRE revenues.

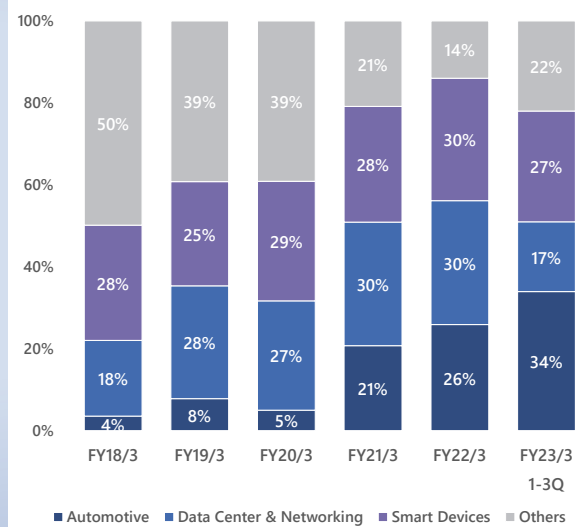
You can see increase in our business in our focus areas, with customers from outside of Japan, and with advanced process nodes, all indicating the company's transformation into a global and leading SoC vendor.

Breakdowns by Application Market (Yearly Ratios)

Net Sales



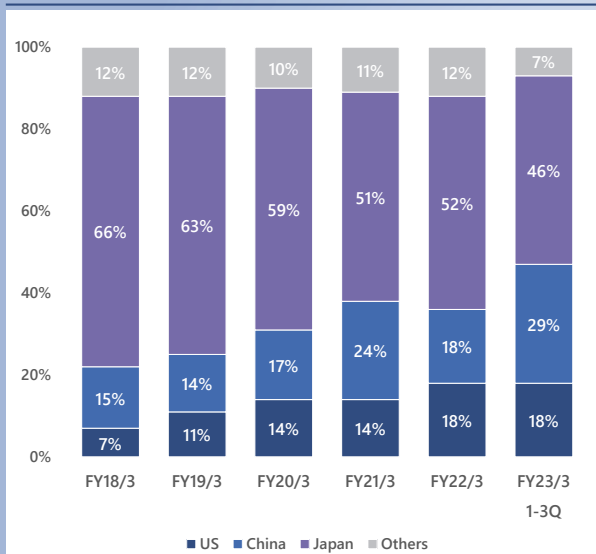
NRE Revenue



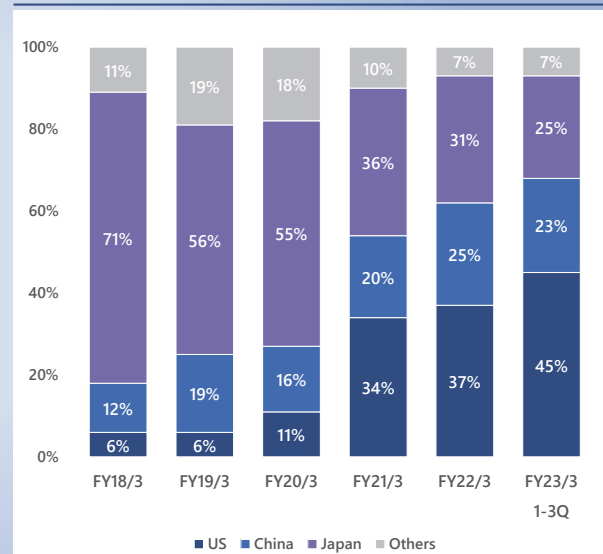
The breakdown of net sales and NRE revenue by application markets, for each year since fiscal year March 2018 are presented on this slide.

For both net sales and NRE revenue, we see increase in ratio of our three focus areas, especially in “Data center & Networking” and “Automotive”.

Net Sales



NRE Revenue



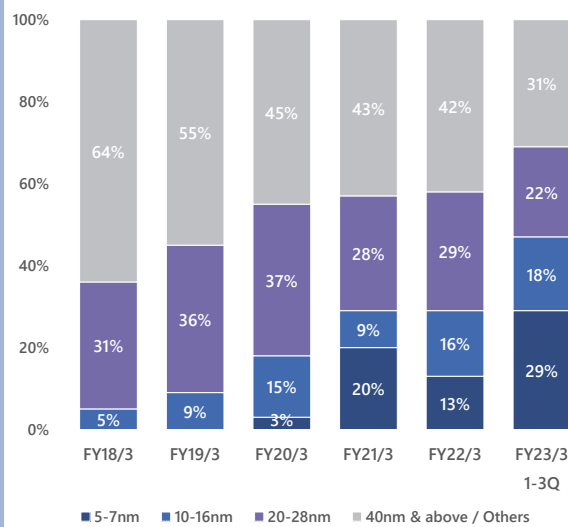
This page shows the breakdown of net sales and NRE revenue by region.

We see a shift in both net sales and NRE revenue that we have more businesses with customers from outside of Japan, especially in the US and China.

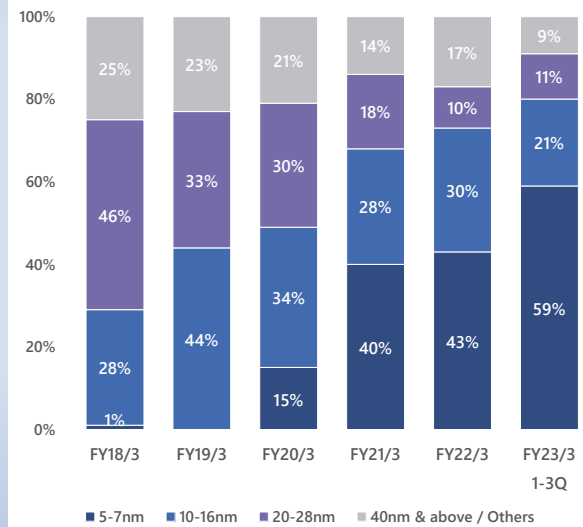
As for the actual amounts, both net sales and NRE revenue from Japanese customers are leveling off, and those from customers outside of Japan are increasing.

More than 50% of the net sales, and approximately 70% of the NRE revenue, are from overseas customers now.

Net Sales



NRE Revenue



This page shows the breakdown of net sales and NRE revenue by process technology node.

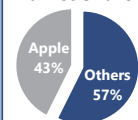
We see a shift in both net sales and NRE revenue, to the projects with more advanced technology nodes.

We have already started shipping of products with 7nm or more advanced technologies.

- With the exception of Apple, Socionext has the 2nd largest market share of 8% within the Custom SoC(ASIC)¹ market, where some players can design 7nm/5nm SoCs.

Custom SoC(ASIC)¹ Market Share² (2021)

Market Share

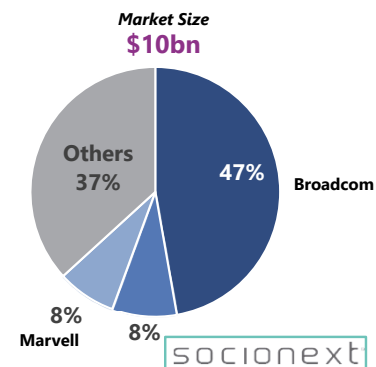


Market Size³
\$19bn

Market CAGR³
(2021-2025E)
10.1%

**These Market Data
are estimated by
Socionext based on
Omdia data**

Market Share Excluding Apple

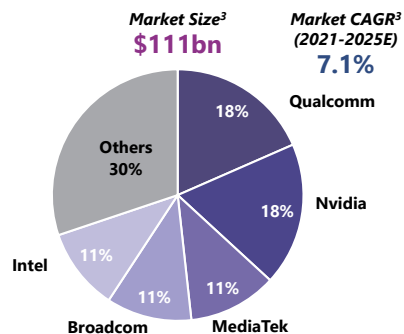


Market Size
\$10bn

The market data above does not include certain traditional ASIC vendors in Taiwan such as GUC, Alchip and Faraday due to the lack of third-party statistical data.

ASSP¹ Market Share² (2021)

Market Share



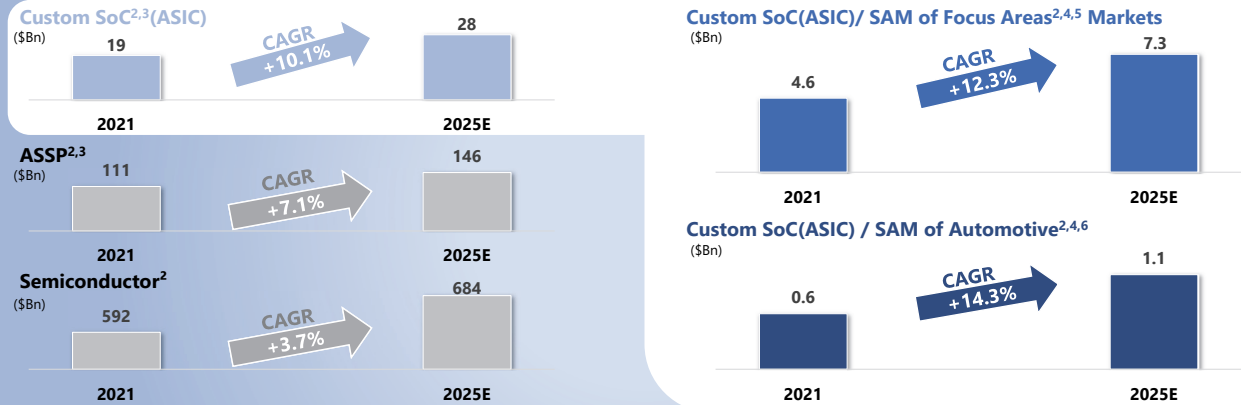
Market Size³
\$111bn

Market CAGR³
(2021-2025E)
7.1%

- We define "ASSP" as the "Logic ASSP" segment based on Omdia "Application Market Forecast Tool-1Q 2022" classification and "Custom SoC(ASIC)" as "Logic ASIC" based on Omdia "Application Market Forecast Tool-1Q 2022". 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-1Q22". 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-4Q 2022". Market CAGR(2021-2025E) is calculated (figure of 2025E / figure of 2021)^(1/4)-1.

In the Custom SoC market, Socionext is the second largest player if you exclude Apple, who develops custom SoCs only for its own products.

- Total global market size of focus areas is expected to grow at 12.3% CAGR¹, higher than that of custom SoC (ASIC)
- Automotive custom³ SoC(ASIC) market is expected to grow at 14.3% CAGR¹



1. CAGR is calculated by (figure of 2025E / figure of 2021)^{1/4}-1
2. Calculated by Socionext based on Omdia "Application Market Forecast Tool-4Q 2022". These figures are our estimate of the market size for ASIC, ASSP and semiconductor markets and are not intended as an objective indicator of the size of the market for our current businesses model. Our estimates of the each Serviceable Available Market (SAM) and Our 3 Focus Markets are based on certain assumptions and were calculated using statistical data and publications from external sources as indicated herein. Actual market size may differ from these estimates due to the limitations peculiar to such statistical data and publications in terms of their accuracy
3. We define "ASSP" as the "Logic ASSP" segment based on Omdia's "Application Market Forecast Tool-2Q 2022"'s classification and "Custom SoC(ASIC)" as "Logic ASIC" based on Omdia's classification. Omdia's classifications may differ in certain respects from our target
4. SAM are "Data Center Servers", "Solid-State Drives", "Other Peripherals", "Enterprise Ethernet Switches & Routers", "Carrier Ethernet Switches & Routers", "Optical Equipment", "Broadcast & Streaming Video", "Data Center Network", "M2M Modules", "Mobile Comm Infrastructure", "Other Consumer Electronics", "Other Wireless Communications", "LCD TV", "OLED TV", "Set-Top Boxes", "Connectivity & Telematics", "Infotainment & Cluster", "ADAS", "Chassis & Safety", "Medical Electronics", "Automation", and "Test & Measurement", "Security & Video Surveillance"
5. Our focus areas are (a) Automotive, (b) Data Center & Networking and (c) Smart Devices. SAM of Focus Areas' Market are "Data Center Servers", "Solid-State Drives", "Enterprise Ethernet Switches & Routers", "Carrier Ethernet Switches & Routers", "Optical Equipment", "Broadcast & Streaming Video", "Data Center Networking", "Mobile Comm Infrastructure", "Other Consumer Electronics", "Connectivity & Telematics", "Infotainment & Cluster", "ADAS" and "Chassis & Safety", "Security & Video Surveillance"
6. SAM of Automotive are "Connectivity & Telematics", "Infotainment & Cluster", "ADAS" and "Chassis & Safety" in Automotive Electronics Categories

This slide illustrates the compound average growth rate of our target markets.

According to Omdia, the market for custom SoCs is expected to grow at 10.1% CAGR from 2021 to 2025, and our focus market areas are expected to grow faster than the total custom SoC market.

The CAGR of SAM for our three focus markets is 12.3%, and it is 14.3% for the Automotive.



Introduction

**Consolidated Financial Results
for the 9 Months Ended December 31, 2022**

- *Actual Consolidated Financial Results*
- *Forecast Consolidated Earnings*

Mid-Term Financial Model



(Yen in billions)									
		FY22/3				FY23/3			YoY %
		1Q	2Q	3Q	4Q	1Q	2Q	3Q	
Net Sales		27.1	28.3	29.8	31.8	39.9	42.8	56.1	26.3 88.1%
	Product Revenue	19.2	21.2	20.4	23.7	31.0	35.3	43.9	23.5 114.9%
	NRE Revenue	6.4	6.4	7.7	7.5	8.7	7.4	11.5	3.8 48.9%
	Others	1.5	0.7	1.6	0.5	0.2	0.2	0.6	-1.0 -61.5%
Cost of Goods Sold		11.9	12.2	12.1	13.5	19.9	22.1	31.8	19.7 162.3%
Selling, General and Administrative Expenses		14.4	13.6	15.3	15.5	14.5	15.9	18.0	2.7 17.4%
	R&D	10.4	10.0	11.5	11.3	10.6	11.5	13.4	1.9 16.4%
	SG&A	4.0	3.7	3.8	4.2	3.9	4.4	4.6	0.8 20.7%
Operating Income		0.8	2.5	2.4	2.7	5.6	4.9	6.3	3.9 165.0%
	Margin	3.0%	8.9%	8.0%	8.7%	14.0%	11.4%	11.2%	+3.2%pt
Profit		0.2	2.4	2.1	2.8	5.1	5.0	5.2	3.2 155.0%
	Margin	0.6%	8.6%	6.9%	8.9%	12.7%	11.6%	9.3%	+2.4%pt
FX Rate (USD/JPY)		109.5	110.1	113.7	116.2	129.6	138.4	141.6	

*Quarterly financial results of FY22/3 are unaudited - unreviewed by external auditors

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In this and following slides we will talk about our third quarter financial results.

The net sales were 56.1 billion yen in the third quarter (the 3-month period ended Dec.31, 2022), an increase of 88.1% from the same period of the previous fiscal year(the 3-month ended Dec.31, 2021)

The operating income was 6.3 billion yen in the third quarter (the 3-month period ended Dec.31, 2022), an increase of 165.0% from the same period of the previous fiscal year(the 3-month ended Dec.31, 2021)

The increase in both net sales and operating income was due mainly to the start of mass production of the large-scale design wins acquired since 2019.

In this quarter, we saw increase in net sales and operating income as we secured production capacity, which was previously a constraining factor for sales growth.

Due to temporary costs incurred to secure production quotas and changes in product mix, product gross margin rate declined and growth of operating income was somehow limited compared to sales growth. However, these results are mostly in line with our expectations.

Cost of sales ratio increased due to one-time expense for securing production capacity.

In addition, product mix change due to higher sales than our expectation is one of the factors for the increase in cost of sales ratio. While sales and profits have increased, there has been a slight decline in gross margin due to such factors.

As for R&D costs, IP and reticle depreciation were treated as one-time costs. NRE for this portion is recorded.

1-3Q FY23/3 Consolidated Statements of Income

(Yen in billions)

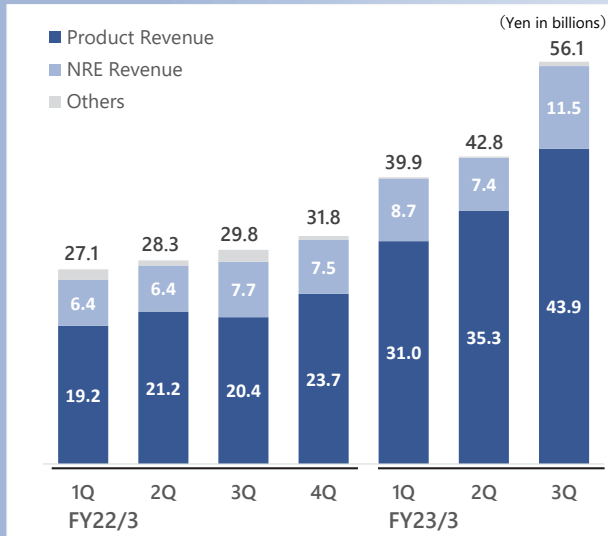
	1-3Q FY22/3	1-3Q FY23/3	YoY	YoY %
Net Sales	85.3	138.8	53.6	62.8%
Product Revenue	60.9	110.2	49.4	81.1%
NRE Revenue	20.6	27.6	7.0	34.3%
Others	3.8	1.0	-2.8	-74.1%
Cost of Goods Sold	36.2	73.8	37.6	103.7%
Selling, General and Administrative Expenses	43.3	48.3	5.0	11.5%
R&D	31.9	35.5	3.6	11.2%
SG&A	11.4	12.8	1.4	12.4%
Operating Income	5.7	16.7	11.0	193.0%
Margin	6.7%	12.1%	+5.4%pt	
Profit	4.7	15.2	10.6	227.8%
Margin	5.5%	11.0%	+5.5%pt	
FX Rate (USD/JPY)	111.1	136.5		

*Quarterly financial results of FY22/3 are unaudited - unreviewed by external auditors

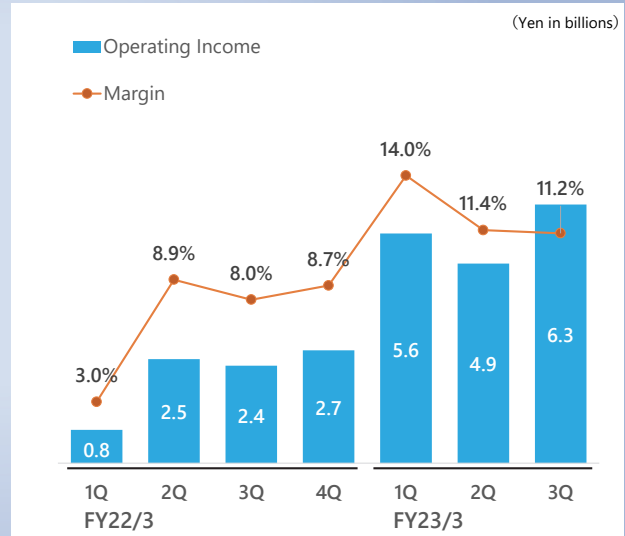
From first to third quarter, net sales increased by 53.6 billion yen, 62.8%, and operating income increased by 11.0 billion yen, 193.0%.

The year-to-year variation factors are generally similar to those for the third quarter alone, as described on the previous page.

Net Sales



Operating Income



*Quarterly financial results of FY22/3 are unaudited*unreviewed by external auditors 17

This slide shows the trend of net sales and operating income from the first quarter ended June 30, 2021 to the latest third quarter ended Dec. 31, 2022.

Product revenue increased steadily from the fourth quarter ended March 31, 2022 due to the start of mass production of the large-scale design wins acquired since 2019.

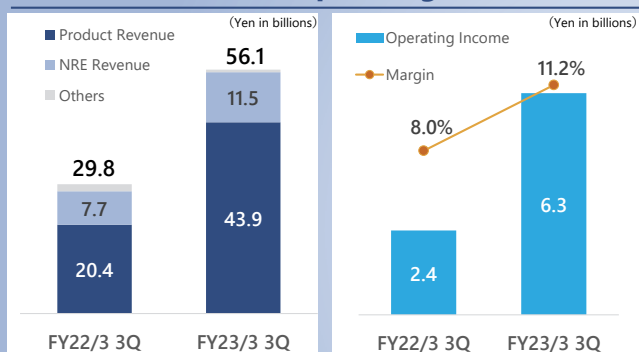
In this quarter, we saw increase in net sales and operating income as we secured production capacity, which was previously a constraining factor for sales growth.

Due to temporary costs incurred to secure production quotas and changes in product mix, product gross margin rate declined and growth of operating income was somehow limited compared to sales growth. However, these results are mostly in line with our expectations.

NRE revenue remains in upward trend though it varied from quarter to quarter due to the timing of deliverables.

Operating income also increased steadily in connection with the increase of net sales.

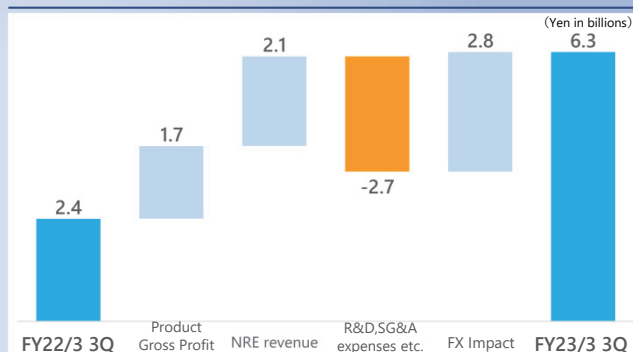
Net Sales & Operating Income



<Net sales> YoY +26.3 bn JPY (+88.1%)

- Product revenue +23.5 bn JPY (FX impact +6.9 bn JPY)
- NRE revenue +3.8bn JPY (FX impact +1.7bn JPY)
- Others -1.0bn JPY (IP license revenue)
- Depreciation of Japanese yen +8.7 bn JPY (USD/JPY 113.7→141.6)

Operating Income YoY Changes Analysis



<Operating income> YoY +3.9 bn JPY (+165.0%)

- Increase in gross profit related to product revenue +1.7bn JPY
- Increase in NRE revenue +2.1 bn JPY
- Increase in R&D・SG&A, etc. -2.7 bn JPY (IP license revenue -1.0 bn JPY)
- Depreciation of Japanese yen +2.8 bn JPY

*Quarterly financial results of FY 22/3 are unaudited*unreviewed by external auditors

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The net sales for the third quarter (3-month period ended Dec. 31, 2022) were 56.1 billion yen, an increase of 26.3 billion yen from the same period of the previous fiscal year (3-month period ended Dec. 31, 2021).

The operating income for 3-month period ended Dec. 31, 2022 was 6.3 billion yen, an increase of 3.9 billion yen from the same period of the previous fiscal year (3-month period ended Dec. 31, 2021).

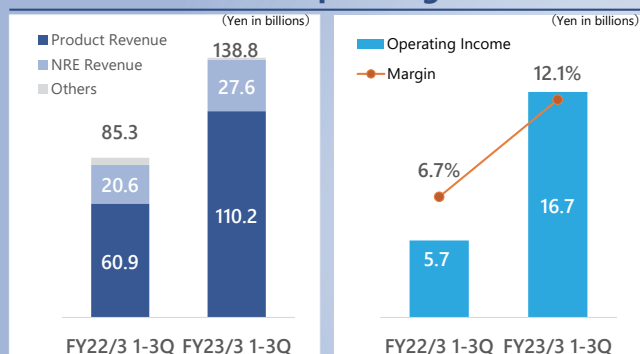
The increase in net sales was due mainly to the increase in Data center & Networking products. In addition, the positive impact of the depreciation of Japanese yen upon the net sales was 8.7 billion yen (product revenue +6.9 bn, NRE +1.7 bn).

The increase in operating income is due to higher product sales and gross profit, as well as the effect of depreciation of Japanese yen.

Operating income increased by 3.9 billion yen to 6.3 billion yen. Factors include reactionary fall in IP income (JPY 1.0bn), which was generated as a special factor in last fiscal year, and a temporary increase in cost for sales and R&D expenses in the third quarter.

Details of Nine Months Ended Dec.31 2022 Financial Results (Including YoY Changes)

Net Sales & Operating Income



<Net sales> YoY +53.6 bn JPY (+62.8%)

- Product revenue +49.4 bn JPY (FX impact +16.2 bn JPY)
- NRE revenue +7.0 bn JPY (FX impact +3.9 bn JPY)
- Other -2.8 bn JPY (IP license revenue)
- Depreciation of Japanese yen +20.3 bn JPY (USD/JPY 111.1→136.5)

Operating Income YoY Changes Analysis



<Operating income> YoY +11.0 bn JPY (+193.0%)

- Increase in gross profit related to product revenue +6.2 bn JPY
- Increase in NRE revenue +3.1 bn JPY
- Increase in R&D・SG&A, etc. -4.9 bn JPY (IP license revenue -2.8 bn JPY)
- Depreciation of Japanese yen +6.7 bn JPY

* Quarterly financial results of FY22/3 are unaudited・unreviewed by external auditors 19

The net sales for the 9-month period ended Dec. 31, 2022 were 138.8 billion yen, an increase of 53.6 billion yen from the same period of the previous fiscal year (9-month period ended Dec. 31, 2021).

The operating income for the 9-month period ended Dec. 31, 2022 was 16.7 billion yen, an increase of 11.0 billion yen from the same period of the previous fiscal year (9-month period ended Dec. 31, 2021).

The increase in operating income, as with the third quarter alone, was due to higher product sales and gross profit, as well as the effect of depreciation of Japanese yen.

The increase in net sales was mainly driven by the significant increase in Data Center & Networking products and the increase in Smart Devices products.

There was a positive impact on net sales of 20.3 billion yen (product revenue +16.2 bn, NRE +3.9 bn) from the depreciation of Japanese yen.

(Yen in billions)

	FY2022/3 Full Year Results	FY2023/3 Full Year Forecast as of Sept. 2022	FY2023/3 Full Year Forecast as of Jan. 2023	YoY	YoY %
Net Sales	117.0	170.0	190.0	73.0	62.4 %
Operating Income	8.5	17.0	19.5	11.0	130.4%
Margin	7.2%	10.0%	10.3%	+3.1%pt	
Profit	7.5	13.0	16.2	8.7	116.6%
Margin	6.4%	7.6%	8.5%	+2.1%pt	
Basic Earnings per Share	222.18yen	386.14yen	481.19yen		
Dividends per Share	-	160.00yen	190.00yen		
FX Rate (USD/JPY)	112yen	125yen	132yen		

➤ A foreign exchange assumption of \$1=¥120 has been used for 4Q of FY23/3.

➤ FX sensitivity analysis: Appreciation or depreciation of 1 yen against the dollar would have impact of approximately 1 bn yen on Net Sales and 0.35 bn yen on Operating Income annually. The exchange rate sensitivity of Japanese yen to other currencies would be minor.

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Today we announced a revision to our full-year earnings forecast which was prepared in September.

The net sales of the fiscal year ending March 31, 2023 are expected to be 190 billion yen, increase of 62.4% from the previous fiscal year.

The operating income of the fiscal year ending March 31, 2023 are expected to be 19.5 billion yen, an increase of 130.4% from the previous fiscal year.

Basic earnings per share based on the forecast is 481.19 yen.

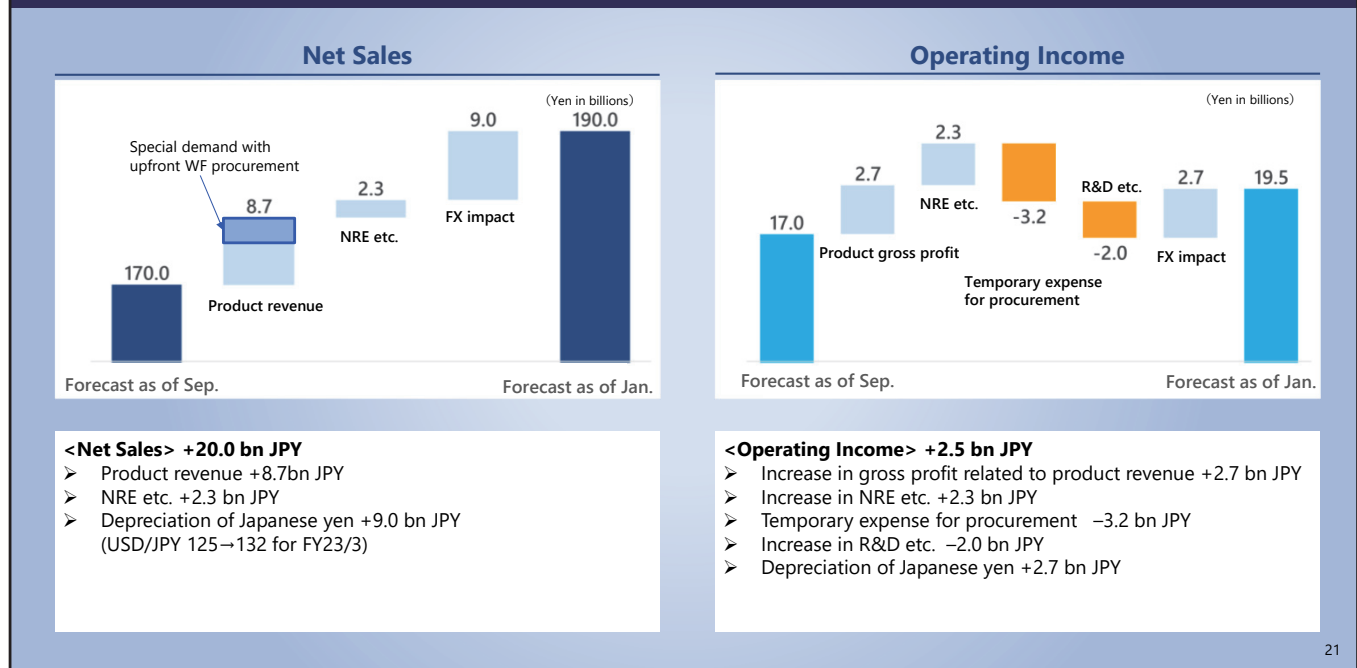
The company's basic policy is to pay stable dividends with a target consolidated payout ratio at approximately 40%.

For the fiscal year ending March 2023, the company did not pay an interim dividend, and will pay a year-end dividend in accordance with the basic policy.

Based on the upward revision of the consolidated financial forecast, the company plans to pay a yearend dividend of 190 yen per share, an increase of 30 yen from the previous forecast.

Assumption for the exchange rate for the fourth quarter is 120 yen per 1 dollar and has not been revised.

Appreciation or depreciation of 1 yen against the dollar would have impact of approximately 1 bn yen on Net Sales and 0.35 bn yen on Operating Income annually. The exchange rate sensitivity of Japanese yen to other currencies would be minor.



This slide shows factors behind the revisions to earnings forecast.

We expect to increase revenue by 8.7 billion yen due to the easing of tight capacity in production lines.

In addition to the substantial sales growth, “special demand” (「Tokuju/特需」) of approximately 3 billion yen is expected, due to the strong demand from large-scale 7 nm projects. This trend is expected to continue in the first half of next fiscal year (March 2024).

Due to the increase in production volume of these products, which have slightly higher cost ratio, the product gross margin is expected to decline by some percentage points from 40%. This is consistent with the original expectation.

We originally expected the change in product mix would lower gross margin by 2 to 3 percentage points. However, if sales of the products mentioned here increase again in the next fiscal year, it could cause gross margin in the next fiscal year to be approximately 4 to 5 percentage points lower than 40%, depending on the product mix. Gross profit will increase in this case so we expect a positive contribution to operating income.

One-time factors in the current fiscal year include the cost of securing wafer production quota of 3.2 billion yen for the calendar year 2022, at the request of customer, which would increase the cost of sales by 2 percent points. But this increase in procurement costs is expected to be passed on from the end of the fiscal year through the next fiscal year.

Due to these one-time charges (3.2 billion yen), we expect the increase in operating income to be moderate compared to the increase in net sales this fiscal year.

NRE and R&D costs are expected to increase respectively behind new business opportunities, but they will offset each other in revenue and cost.

As for R&D costs, the increase is generally in line with the increase in business opportunities and NRE revenues, but it includes one-time costs such as IP and reticle depreciation expenses. We receive some NRE income for such expenses.

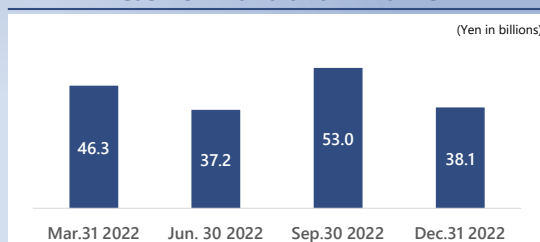
As for the impact of foreign exchange rate, if we assume 120 yen per 1 dollar in the fourth quarter, the assumption for annual average exchange rate will change from 125 to 132 yen per dollar, which will lead to an increase of about 9 billion yen in sales, and about 2.7 billion yen in operating income, from the forecast as of September.

	As of Mar.31,2022	As of Dec.31,2022	(Yen in billions) Change
Total Assets	118.4	191.7	+73.3
Total Current Assets	90.6	154.6	+64.0
Cash on-hand and in banks	46.3	38.1	-8.1
Accounts receivable-trade	25.1	40.3	+15.3
Inventories ¹	16.4	45.7	+29.3
Accounts receivable-other	0.9	25.2	+24.3
Total non-Current Assets	27.8	37.1	+9.3
Total Liabilities	28.8	86.5	+57.6
Total Current Liabilities	27.4	84.8	+57.4
Accounts payable-trade	16.6	30.4	+13.8
Accounts payable-other	2.1	14.9	+12.9
Liabilities related to changeable subcontracting	0	28.5	+28.5
Total Net Assets	89.6	105.2	+15.6
Shareholders' Equity Ratio	76%	55%	

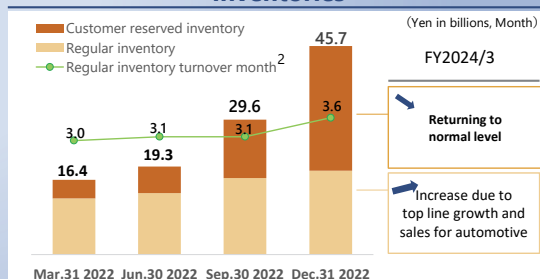
1. Inventories consist of finished goods and work in process

2. The holding days of ordinary inventories = ordinary inventories balance/COGS in 3-month average

Cash on Hand and in Banks



Inventories



For the balance sheet, total assets were 191.7 billion yen, an increase of 73.3 billion yen, total liabilities were 86.5 billion yen, an increase of 57.6 billion yen, and total net assets were 105.2 billion yen, an increase of 15.6 billion yen, from the end of the previous fiscal year, respectively.

The increase in total asset is due mainly to customer-requested wafer inventories. Socionext does not cover the cost of such wafers, so there is almost no impact on “Cash on Hand and in Banks”. As a result of such transactions, we had 40 billion yen increases in both assets and liabilities.

On the asset side, "Inventories" and "Accounts receivable", on the liability side, the balance of “Accounts Payable-Trade”, “Accounts Payable-Other” “Liabilities Related to Changeable Subcontracting” increased.

As shown in the chart at the top right, “Cash on Hand and in Banks” decreased by 14.9 billion yen compared to the previous quarter.

This was due to an increase in working capital as product sales expanded, with accounts receivable of approximately 10 billion yen and inventories of approximately 6 billion yen.

The increase in accounts receivable was due to an increase in sales in the latter half of the third quarter, which will be collected as cash in the fourth quarter.

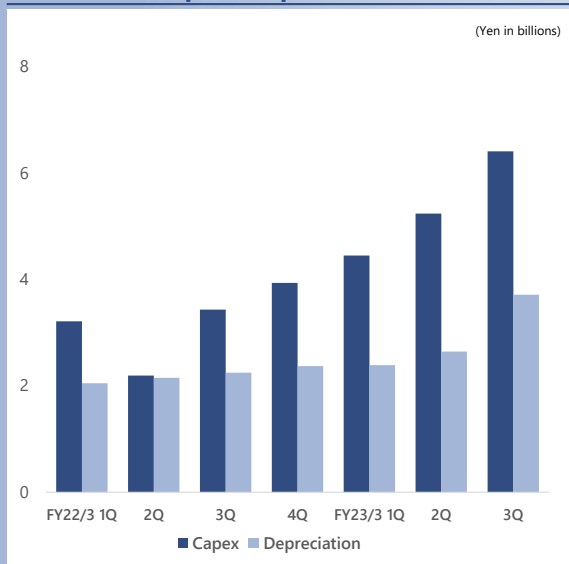
As a result, we expect a large cash inflow in the fourth quarter. The balance of “cash on-hand in banks” is expected to recover to around 50 billion yen at the end of the fiscal year.

For the inventories, as seen in the chart at the lower right, we manage upfront procurement by customers’ expense separately from ordinary inventories.

The inventory turnover month of regular products temporarily increased to 3.6 months. The amount will increase slightly in line with future sales growth, but the number of months is expected to fall to less than three months, from middle through the end of next fiscal year.

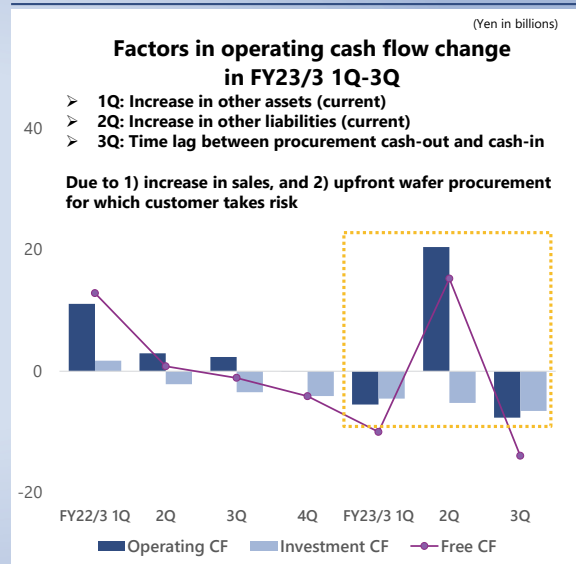
Shareholders' equity ratio will temporarily decline due to the upfront procurement of wafers, but is expected to recover in the next fiscal year.

Capex¹-Depreciation



1, Capex: Purchases of PPE + purchase of intangible assets

Cash Flow



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The amount of investment is gradually increasing as we work on new business opportunities for advanced technology products, and is expected to remain at a high level. Depreciation expenses are gradually increasing as investment expands.

The increase in depreciation expenses in the third quarter included one-time expense for depreciation of IP and reticles, as discussed in the R&D expenses.

The decrease in “cash on hand and in banks” was due to the negative cash flow in the third quarter. The negative cash flow was caused by an increase in working capital associated with increased product sales, which will be collected in the fourth quarter onward. On an annual basis, we do not expect any impact on cash flow from the upfront procurement.



Introduction

Consolidated Financial Results
for the 9 Months Ended December 31, 2022

Mid-Term Financial Model



	FY21/3	FY22/3	Mid-Term Target
Net Sales Growth	JPY 99.7 bn	JPY 117.0 bn	+ High teen% CAGR
OP Margin	1.6%	7.2%	Low-to-Mid teen %

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.

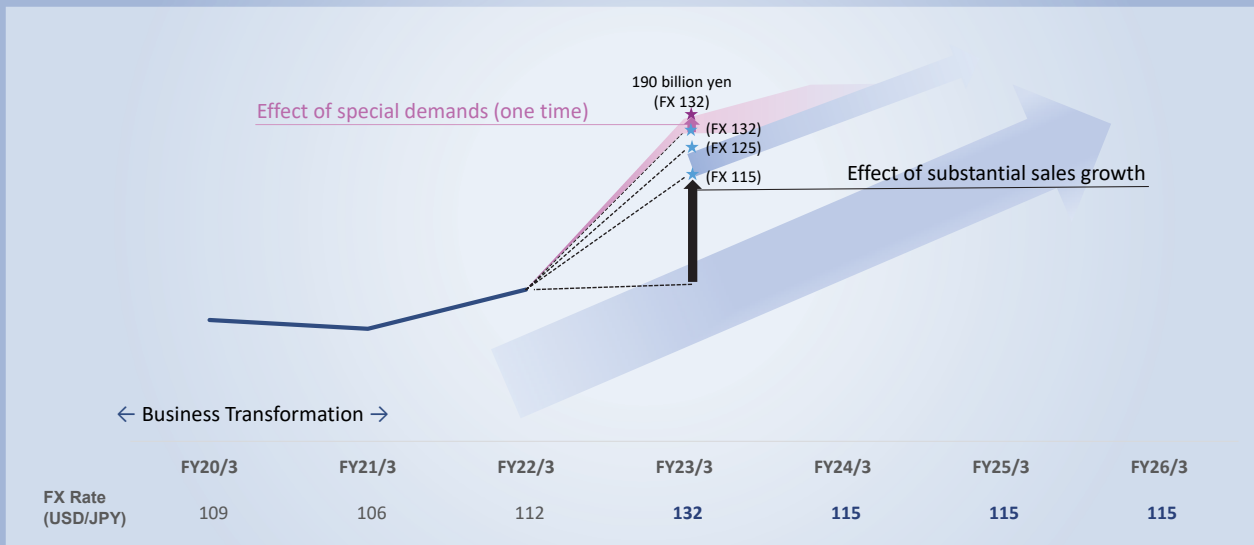
This slide shows our Mid-Term Financial Targets.

Driven by growing demand for custom SoCs and with our new and distinctive business model, we have been achieving large-scale design wins in our three focus areas.

Over the mid-term, we aim to steadily increase net sales while also acquiring new design wins, with total net sales growth of high teen % CAGR and low-to-mid teen operating margin.

Mid-Term Financial Target -Top Line Growth

- 1) Product sales from accumulated design wins and 2) Acquiring new design wins are drivers of sales growth



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Our target is to achieve high-teen% growth over the mid-term from sales of 117 billion yen in fiscal year March 2022.

The results of business transformation which we started in 2018 are starting to show up in our actual earnings.

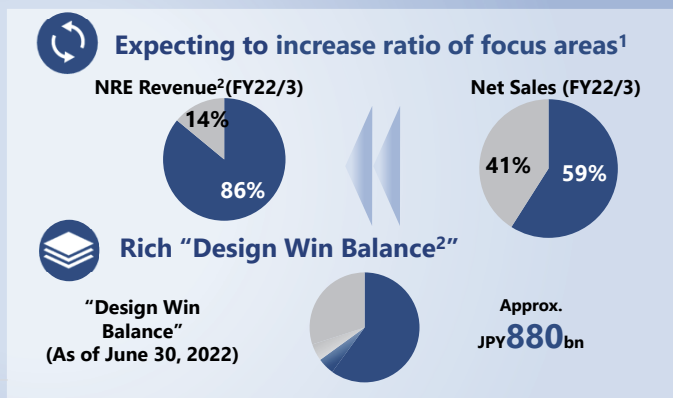
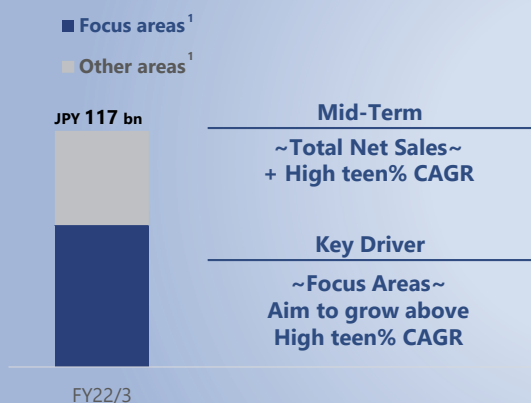
The forecast for fiscal year March 2023 includes the impact of foreign exchange rate and a temporary sales increase due to “special demand”(「Tokuju/特需」), in addition to the actual growth of sales.

Our current mid-term outlook is based on the exchange rate in fiscal year march 2024 as 115 yen per dollar. We expect the actual sales growth to be in the high-teen % from fiscal year march 23 to 24, assuming a flat exchange rate of, for example, 115 yen.

The amount will vary depending on how we assume the exchange rate, as well as on how much we estimate the “special demand” (「Tokuju/特需」).

In any case, we believe that we are on track with the mid-term outlook which we have presented so far.

- As the markets for our focus areas grow, we aim to grow our total net sales at a high teen % CAGR in the mid-term based on our accumulated design wins and by acquiring additional design wins for these focus areas



1. Our focus areas are (a) Automotive, (b) Data Center & Networking and (c) Smart Devices. Others mainly include Industrial Automation and IoT & Radar Sensing (RF-CMOS Solution)

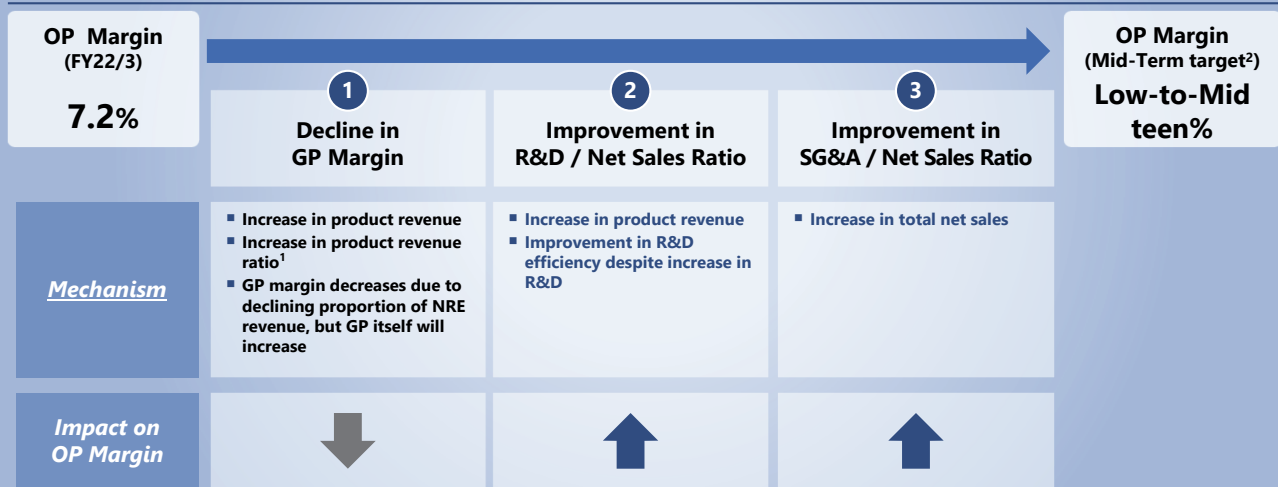
2. "Design win balance" (LTR; Life Time Revenue) represents our estimates of remaining accumulated "design win amount" that is associated with projects that are active as of a particular date. Design win balance thus reflects certain subsequent developments after the end of the period in which such design win was acquired, including: (1) subsequent cancellation of projects, (2) the amount of such design win that has been recognized as revenue and (3) other recent information and data including changes in expected pricing and product sales volume due to changes in product specifications or any other assumptions while restrictions on manufacturing capacity for our products are not fully taken into account. See slide 41 for more detailed definitions and cautionary information regarding "design win amount" and "design win balance." A foreign exchange assumption of \$1=¥100 has been used in the above graph

We believe that net sales growth in our focus areas will be the primary driver in achieving the mid-term target of high-teen % net sales growth.

NRE revenue and Design Win Balance for projects in the focus areas will support our growth.

- Aiming to increase product revenue driven by accumulated design wins
- With increasing product revenue and operating leverage, we aim to improve profitability

Roadmap to OP Margin Target



1. Product revenue ratio is defined as product revenue divided by net sales, which indicates how much portion of net sales comes from sales of products as opposed to NRE revenues
 2. For the mid-term financial targets, please see slide 25

This slide illustrates our roadmap to operating margin improvement. Going forward, we aim to improve profitability to low-to-mid teen%.

- Maintain top line growth and solid profitability achieved through "Phase 1 Transformation"
- Aim for further growth and development through new and distinctive "Solution SoC" business model and "Phase 2 Transformation"

"Phase 1 Transformation"

More design wins by "outside-in change"

- Transformation of business model and focus business area
- => Expand design wins => Expand "Design Win Balance"
- => Expand product revenue
- => Expand profit by operating leverage



Mid-Term Financial Targets			
	FY21/3	FY22/3	Mid-Term Target
Net Sales Growth	JPY 99.7bn	JPY 117.0bn	+ High teen % CAGR
OP Margin	1.6%	7.2%	Low-to-Mid teen %

Further Growth and Development through "Phase 2 Transformation"

- Building competitive R&D structure / active investment
- Strengthening ties to SoC ecosystem
- Maintain high level of design wins

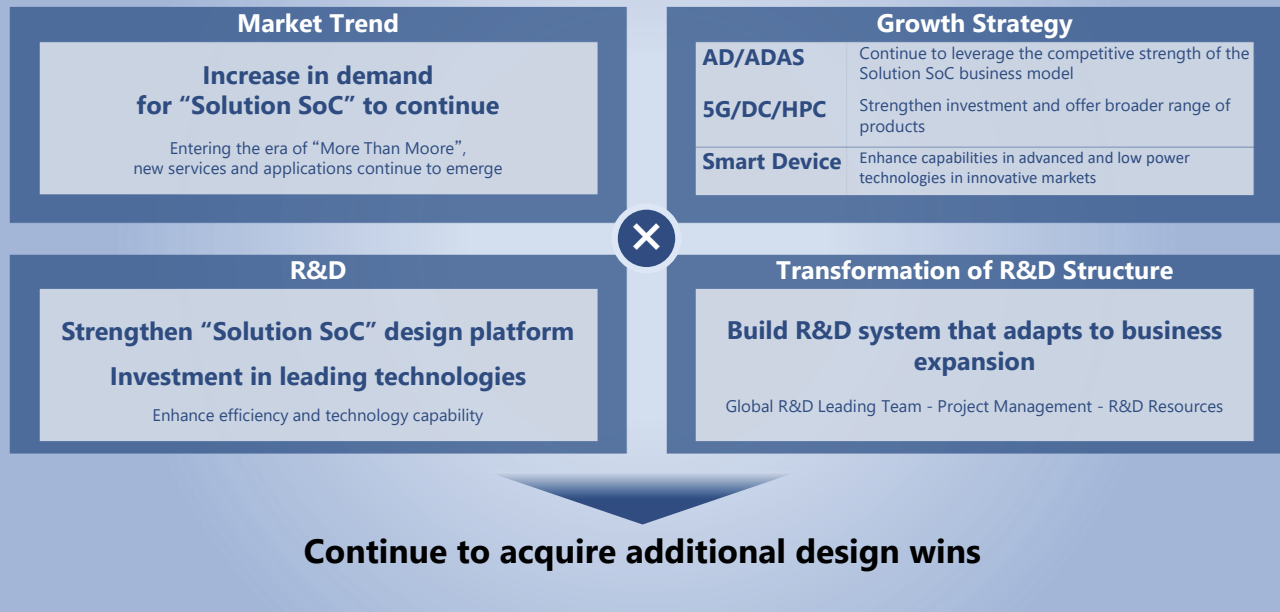


"Aiming for Growth beyond Mid-Term"

We are now carrying out the "second phase" of our transformation, to achieve further growth.

The "phase 1" transformation enabled us to achieve top line growth and solid profitability. We will achieve further growth and development through our new and distinctive Solution SoC business model and the "phase 2" transformation.

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



I would like to explain how we are aiming for future growth beyond the mid-term.

We think demand for custom SoCs will grow more as we enter the era of "More Than Moore" and new services and applications continue to emerge.

To address the increasing demand, we have started transforming our R&D structure, and are investing in advanced technologies.

- Subsystem configurations and bus architectures are becoming similar across major applications
- Building a common design platform improves development efficiency and profitability

Design trends

- Common complexity to achieve optimal PPA
- Common concepts across major markets

What Socionext can do

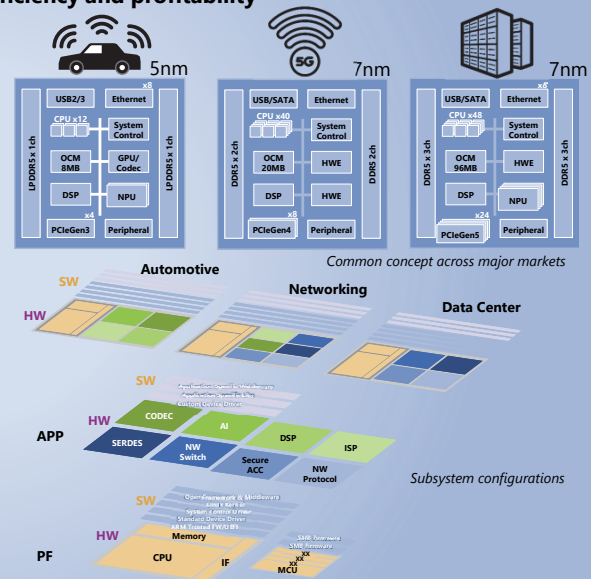
- Move to platform-based design, **based on a computer architecture**
- Keep up with technology evolution while maintaining the existing assets of each functional layers.

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

Socionext's initiatives

- Build solid development platform including software
- Closer partnership with SoC ecosystem(EDA, IP and other suppliers)
- Actively invest in leading technologies (3nm & beyond, chiplet, AI for design, IP, etc)

- ◆ Strengthen ties to SoC ecosystem and drive global innovation



In this slide, let me describe that subsystem configurations and bus architectures are becoming similar across major applications.

We have been transitioning to a platform-based design approach based on a computer architecture. We plan to continue to stay up-to-date with the evolution of technologies while maintaining the existing assets of each functional layer.

We believe we can improve efficiency and profitability of our design and development, through this platform-based approach. We are transitioning to such platform, and are supporting our customers to establish their software development environment at the early stage of SoC development. We believe this is one of the main advantages of our Solution SoC business model, from customers' perspective.

We also plan to continue investing in advanced technologies including 3 nm process node and beyond, as well as chiplets. Through these investments we are going to accelerate the efficiency improvement and the strengthening of our design and development platform. We believe this platform strategy will further enhance our efficiency and profitability of our design and development.

- Rebuilding global R&D structure in line with the change of focus business areas and the business model (Concept-In / Spec-In)
- Reinforcing flexible and scalable “Solution SoC” development platform



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This slide shows the transformation of our R&D structure.

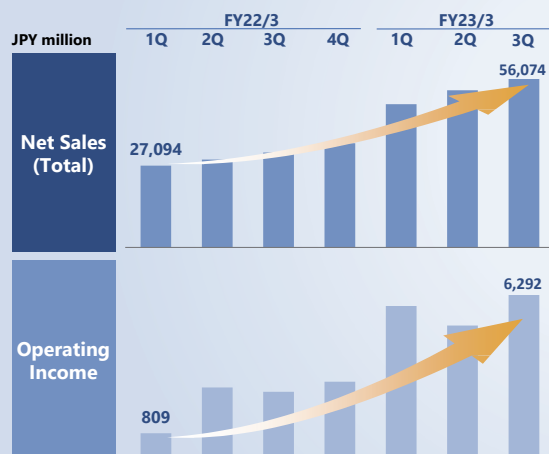
We are rebuilding our R&D structure on a global level, with the aim of making the most appropriate organization to conduct our Solution SoC business model.

We have made a major overhaul of our development structure. By introducing a three-tiered organizational structure, we are strengthening our human resources and development team structure in order to address the business expansion.

With the second phase of our transformation, we are preparing for the further growth in the mid-term and beyond.

Continuing Growth Trend in a Highly Uncertain Semiconductor Market socionext

- Continuing growth trend even in the current semiconductor market with increasing uncertainties, achieved further growth during 1-3Q FY23/3
 - Solid demand relative to full-year outlook/mid-term financial target despite stagnant consumer application markets
- Stable and Significant Growth in Increasing Uncertainties**



- ✓ Increase in projects entering the mass production stage drives growth
- ✓ Focus on Automotive and Data Center & Networking markets where demand is still strong
- ✓ Foundry capacity easing
 - Fully leverage the easing supply constraints to realize top line growth
- ✓ New business opportunities in sluggish consumer market
 - Some application markets continue to be stagnant, particularly for consumers
 - However, competitions remain active in advanced and innovative areas in consumer market, such as wearables and AR, as well as in Automotive and Data Center & Networking markets.

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This slide shows our business trend under the current semiconductor market condition.

As it is well known, the overall semiconductor market is still under uncertainty. But Socionext is making solid growth under such circumstances, supported by the expanding sales of products that have entered volume production stage. We started seeing growth in net sales in each quarter since April 2021 (first quarter of fiscal year March 2022), and have achieved significant growth in the last nine months.

We believe there are multiple factors for our growth:

(1) One is that we focus on the advanced SoC businesses in the Automotive and Data Center & Networking markets, where demands remain strong, and (2) another is that the tightness of manufacturing capacity has been somewhat relaxed.

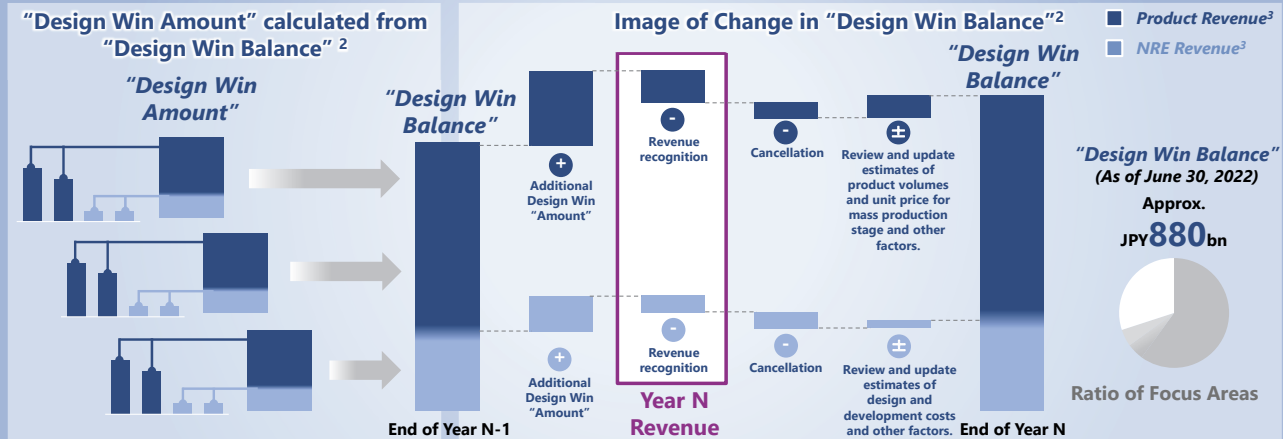
While some of the application markets are still stagnant, we continue to see solid demand, which is consistent with our full-year outlook and mid-term target.

Furthermore, even in an allegedly sluggish consumer market, there is intense competition for innovation. We will certainly take advantage of these business opportunities and aim for further business expansion and sustainable growth.

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

"Design Win Balance" . . .

"Design Win Balance" represents the company's estimate of future life-time demand from the outstanding "Design Win Amount" that has been acquired up to a particular date. "Design Win Balance" thus reflects certain subsequent developments after the end of the period in which the applicable design wins were acquired up until the relevant balance date. "Design Win Balance" is regularly managed in accordance with prudent procedures to account for future risks.



1. "Design win balance" represents our estimates of remaining accumulated "design win amount" that is associated with projects that are active as of a particular date. "Design win balance" thus reflects certain subsequent developments after the end of the period in which such design win was acquired up until the relevant balance date, including (1) recognition of revenue relating to such projects or any other subsequent changes in the development process, estimated sales volumes, unit prices, available manufacturing capacity or other factors that occur, which could either increase or decrease "design win balance" and (2) any subsequent cancellation of projects. For example, certain projects in our focus areas reflected in the "design win amount" for FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for more than 10% 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. A foreign exchange assumption of \$1=¥100 has been used.
2. For illustrative purposes only
3. Refer to slide 41

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This slide explains the terms "Design Win Amount" and "Design Win Balance", and how the figure of "Design Win Balance" is changing.

After acquiring design win for a certain project, the expected amount for the future demand from the project, which we define as "Design Win Amount" may vary depending on factors including cancellation of the project or other changes in the circumstances.

We call the updated amount based on such conditions "Design Win Balance", and are keeping track of the accumulated amount of such "Design Win Balance" of all the active projects at a given time.

Our management team analyzes and forecasts the future product sales by closely monitoring this Design Win Balance.

We add figures when a new design win is acquired, subtract an amount when sales are recognized or a project is canceled. We also adjust the figures according to the updated forecast on the production volume and unit price.

Total "Design Win Balance" as of end of June 2022 was about 880 billion yen, and substantial portion of the amount was from the businesses in our focus areas. We see this "Design Win Balance" as an index for our future growth potential and the basis for future sales analysis.



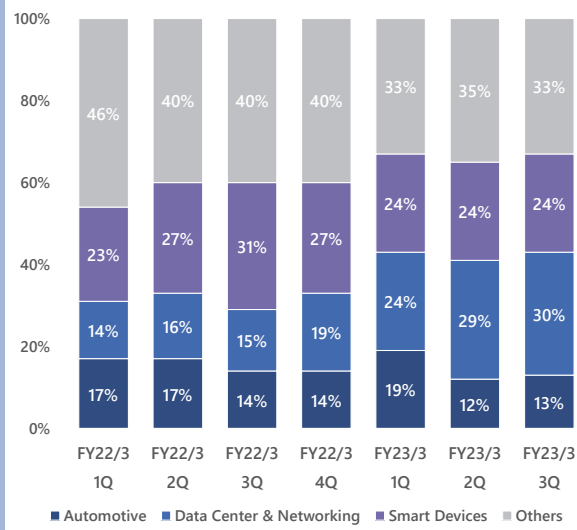
Appendix:

**Breakdowns of Net Sales and Operating Income
(Quarterly Ratios)**

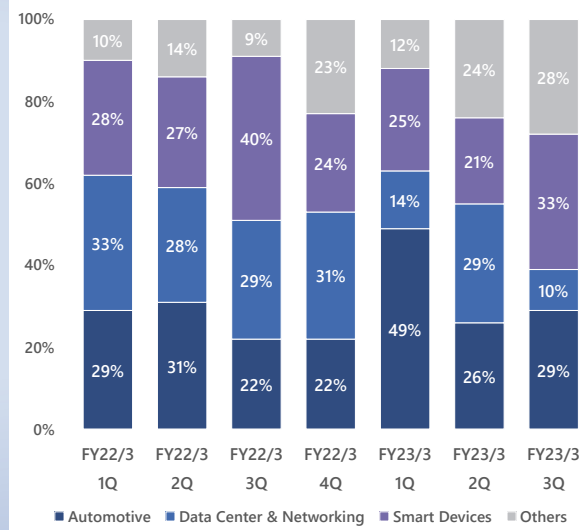


Breakdowns by Application Market (Quarterly Ratios)

Net Sales

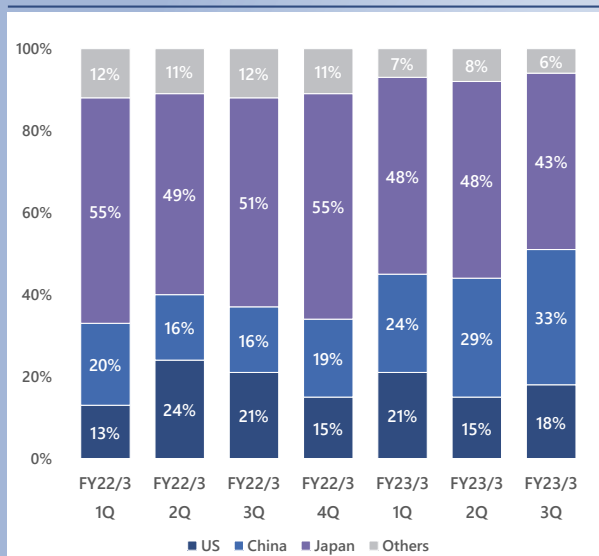


NRE Revenue

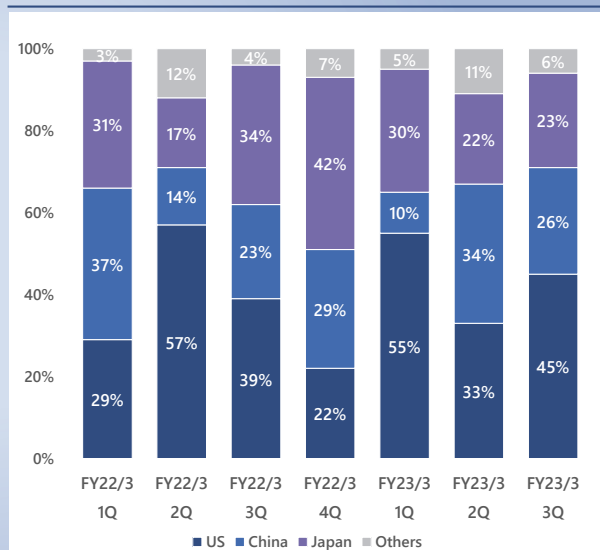


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

Net Sales

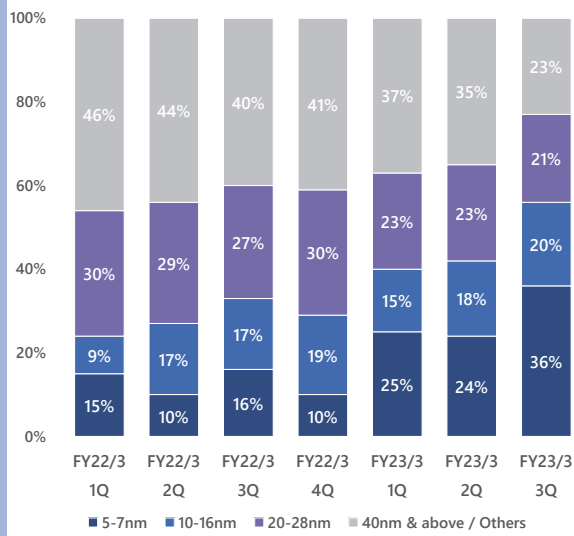


NRE Revenue

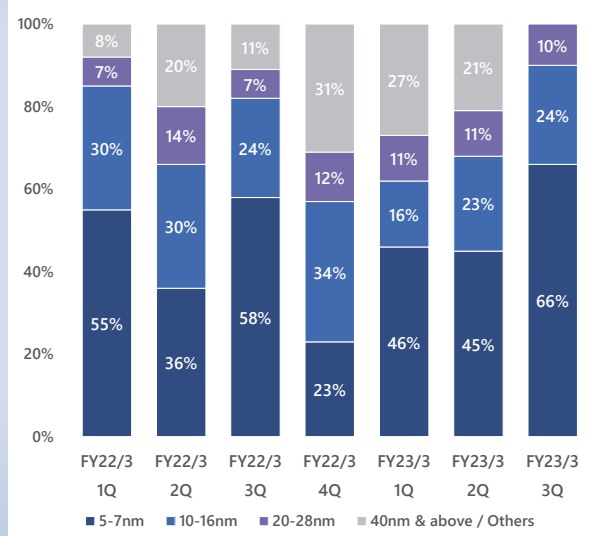


1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

Net Sales



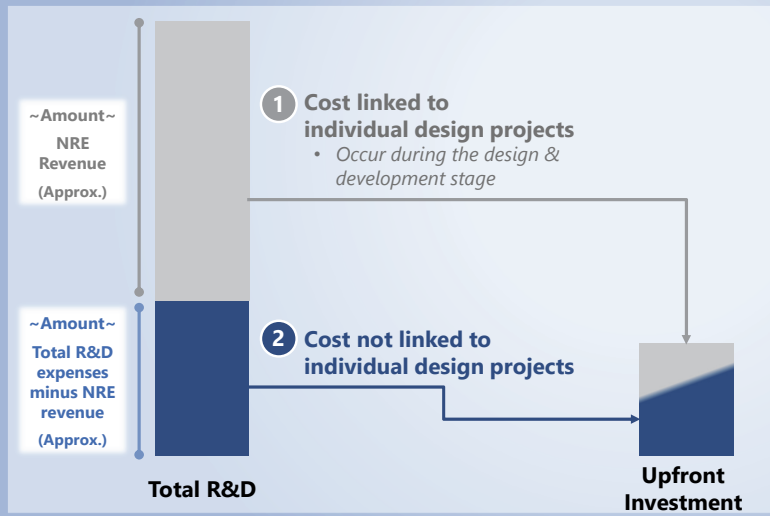
NRE Revenue



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.

- Aiming to increase upfront investment gradually under “Sufficient & Efficient investment” policy (upfront investment accounts for the larger part of ② R&D not linked to individual design projects)

Image of Socionext's R&D Structure



Upfront investment

- Meet customer requests and acquire new design wins
- Strengthen skills of integration and efficiency
- 3nm & beyond, chiplet, AI for design, IP, etc

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

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Cautionary Note Regarding “Design Win Amount”

The calculation of “design win amount” 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. We may change our calculation method for “design win amount” 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 slide 40 of this presentation regarding certain risks associated with forward-looking statements.

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