

socionext™

**Fiscal Year Ended March 31, 2023**

# **Consolidated Financial Results**

April 28, 2023

Socionext Inc.

socionext™

## Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

- *FY23/3 Results*
- *FY24/3 Forecast*

Mid-Term Financial Model



# FY23/3 Consolidated Statements of Income

(Yen in billions)

	FY22/3	FY23/3	YoY	YoY %	(Reference)	
					Disclosure as of	
					Sep. 2022	Jan. 2023
<b>Net Sales</b>	117.0	192.8	75.8	64.7%	170.0	190.0
Product Revenue	84.6	156.8	72.2	85.3%	—	—
NRE Revenue	28.1	34.9	6.8	24.0%	—	—
Others	4.3	1.1	-3.2	-73.3%	—	—
<b>Cost of Sales</b>	49.8	103.9	54.2	108.9%	—	—
<b>Selling, General and Administrative Expenses</b>	58.8	67.1	8.3	14.2%	—	—
R&D	43.2	49.3	6.1	14.2%	—	—
SG&A (excluding R&D)	15.6	17.8	2.2	14.0%	—	—
<b>Operating Income</b>	8.5	21.7	13.2	156.5%	17.0	19.5
Margin	7.2%	11.3%	+4.1%pt		10.0%	10.3%
<b>Profit</b>	7.5	19.8	12.3	164.2%	13.0	16.2
Margin	6.4%	10.3%	+3.9%pt		7.6%	8.5%
<b>FX Rate (USD/JPY)</b>	112.4	135.5			125	132

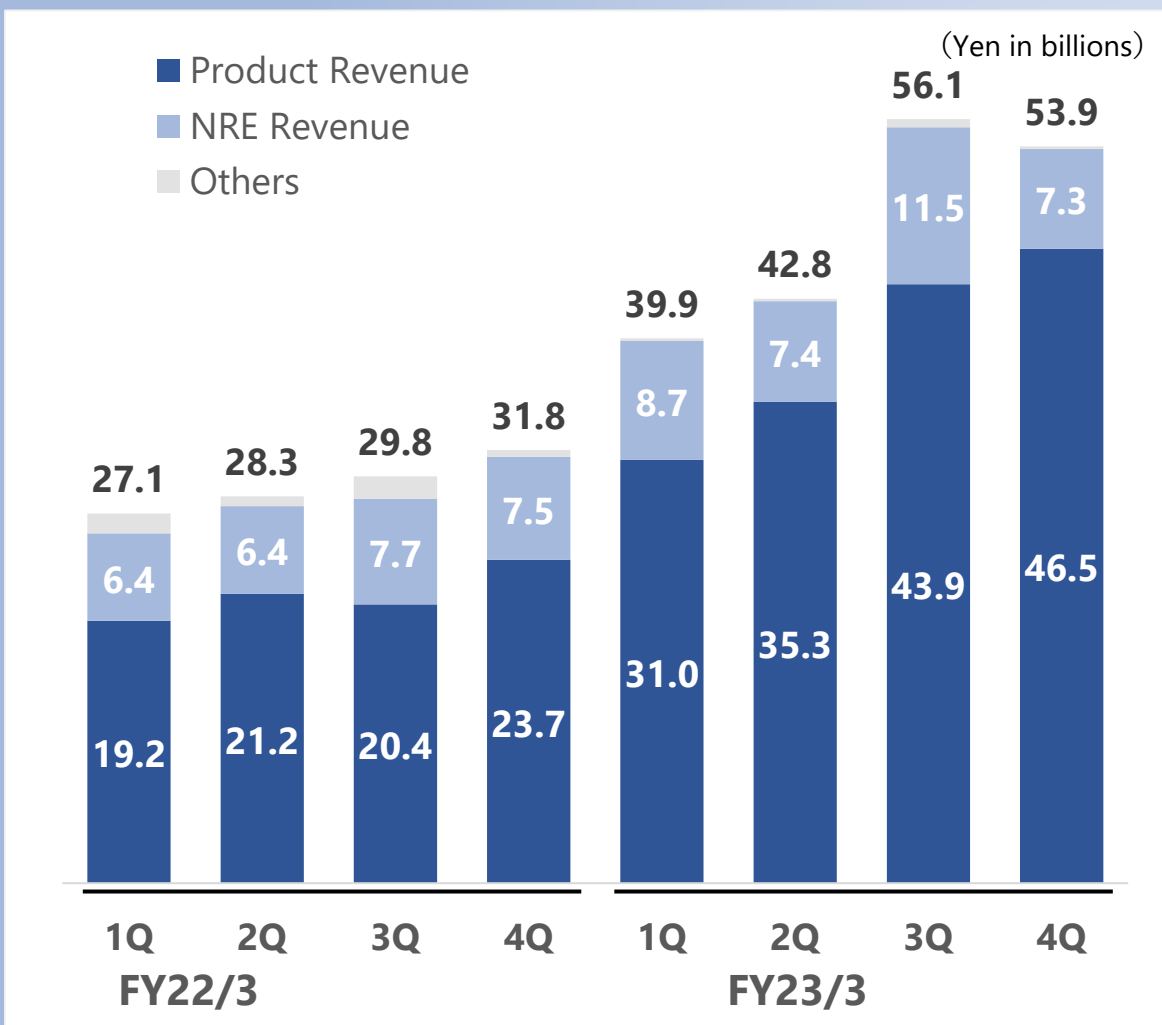
# FY23/3 Consolidated Statements of Income

(Yen in billions)

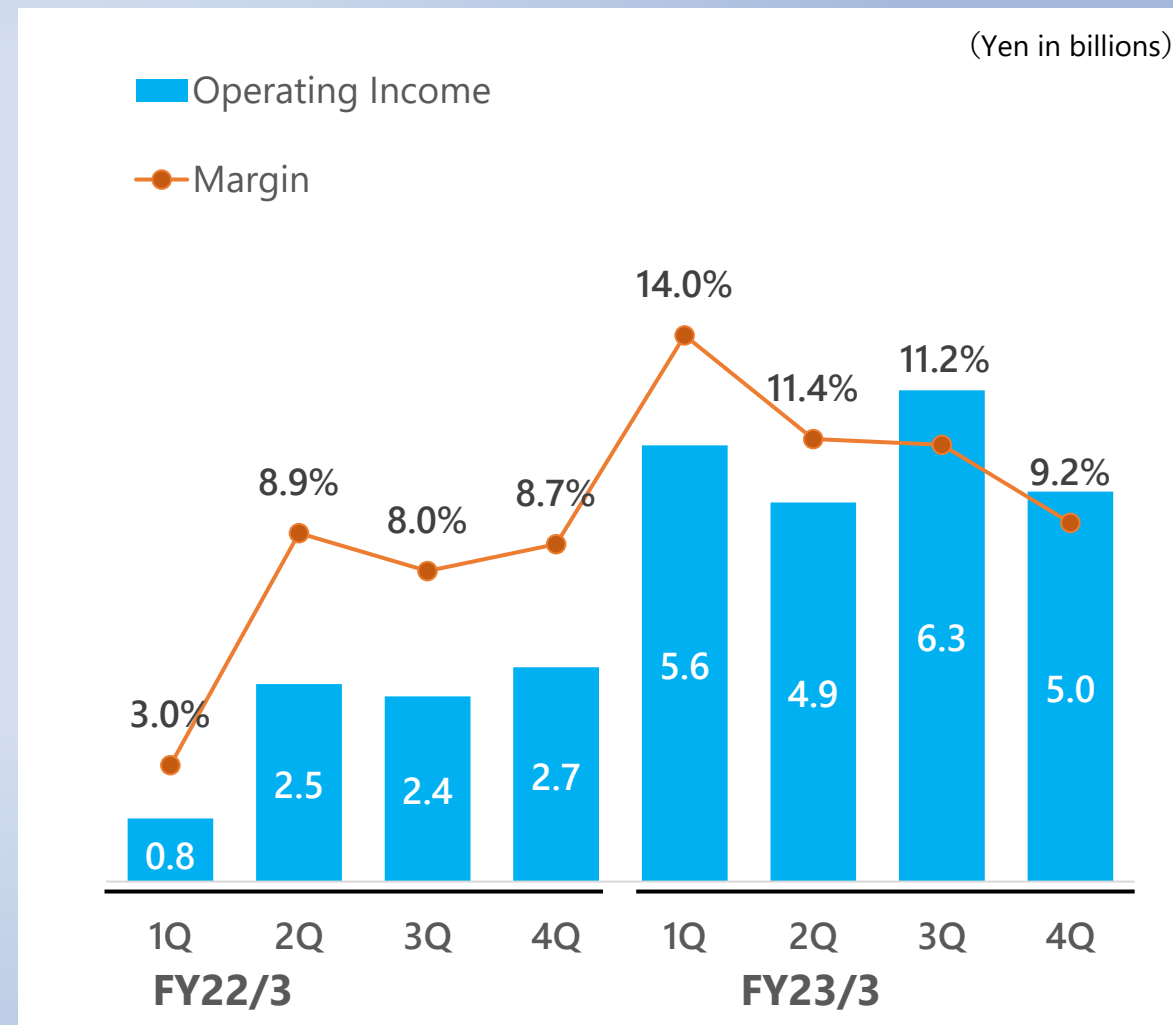
	FY22/3				FY23/3				YoY	YoY %
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q		
<b>Net Sales</b>	27.1	28.3	29.8	31.8	39.9	42.8	56.1	53.9	22.2	69.8%
Product Revenue	19.2	21.2	20.4	23.7	31.0	35.3	43.9	46.5	22.8	96.3%
NRE Revenue	6.4	6.4	7.7	7.5	8.7	7.4	11.5	7.3	-0.3	-3.9%
Others	1.5	0.7	1.6	0.5	0.2	0.2	0.6	0.2	-0.3	-67.3%
<b>Cost of Sales</b>	11.9	12.2	12.1	13.5	19.9	22.1	31.8	30.2	16.6	122.7%
<b>Selling, General and Administrative Expenses</b>	14.4	13.6	15.3	15.5	14.5	15.9	18.0	18.8	3.3	21.6%
R&D	10.4	10.0	11.5	11.3	10.6	11.5	13.4	13.8	2.6	22.7%
SG&A (excluding R&D)	4.0	3.7	3.8	4.2	3.9	4.4	4.6	5.0	0.8	18.6%
<b>Operating Income</b>	0.8	2.5	2.4	2.7	5.6	4.9	6.3	5.0	2.2	80.7%
Margin	3.0%	8.9%	8.0%	8.7%	14.0%	11.4%	11.2%	9.2%	+0.5%pt	
<b>Profit</b>	0.2	2.4	2.1	2.8	5.1	5.0	5.2	4.5	1.7	59.7%
Margin	0.6%	8.6%	6.9%	8.9%	12.7%	11.6%	9.3%	8.4%	-0.5%pt	
<b>FX Rate (USD/JPY)</b>	109.5	110.1	113.7	116.2	129.6	138.4	141.6	132.3		

# Quarterly Net Sales and Operating Income and Changes

## Net Sales

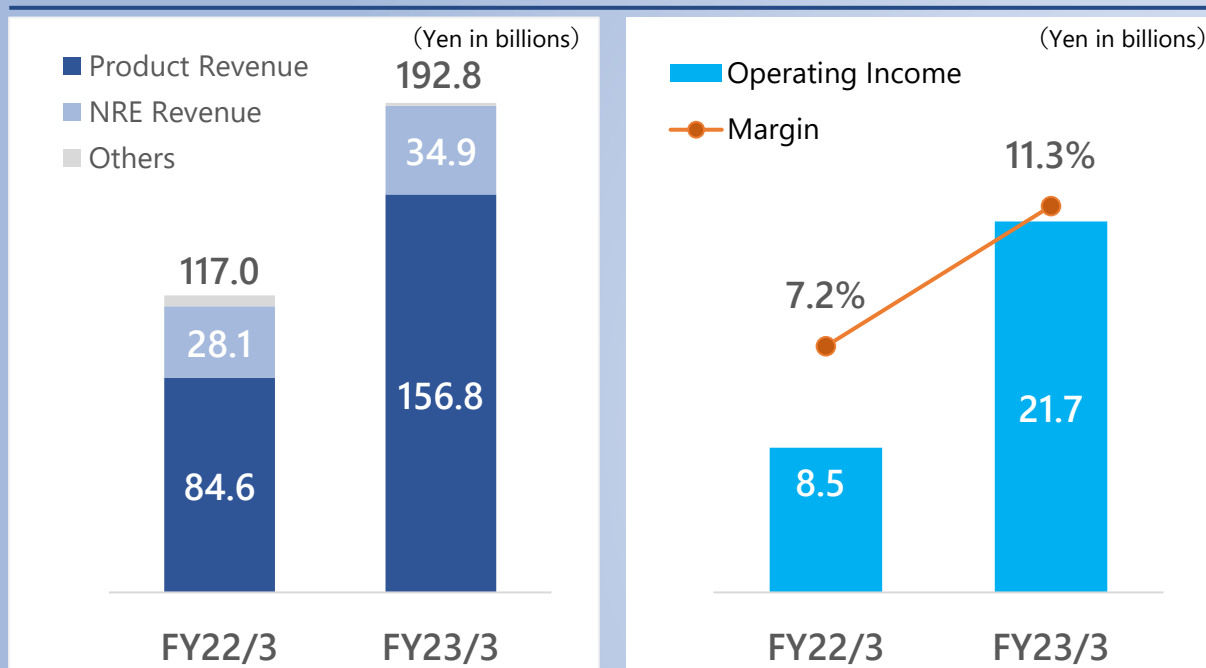


## Operating Income



# Details of FY23/3 Annual Financial Results

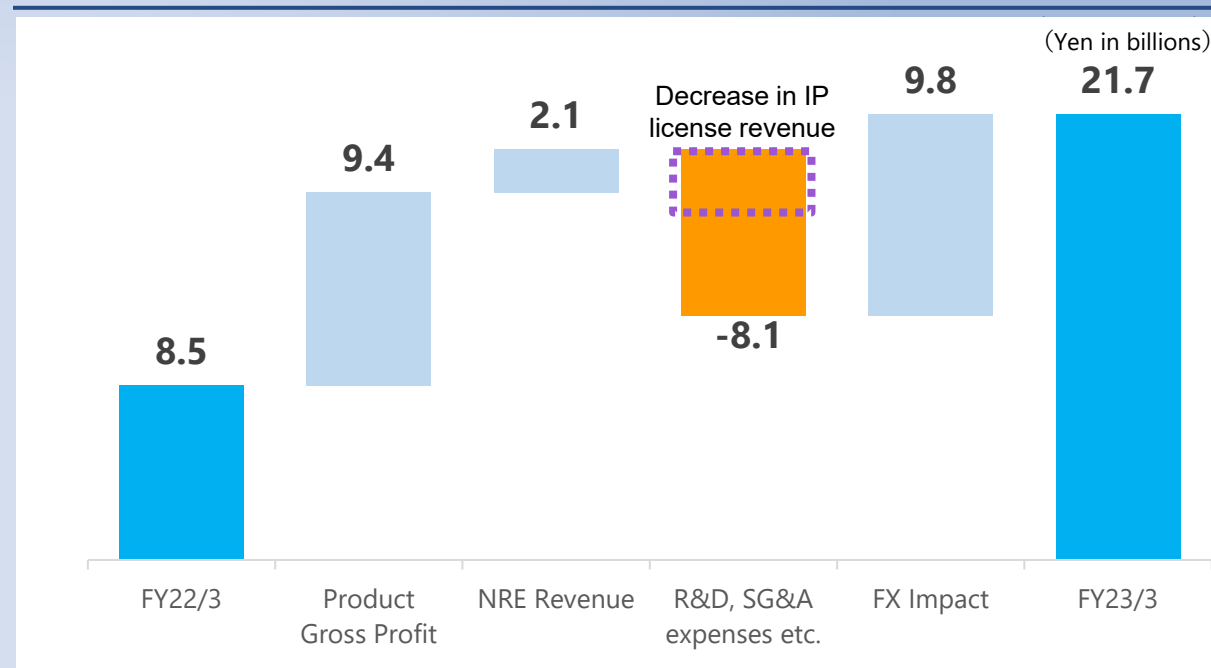
## Net Sales & Operating Income



### <Net sales> YoY +75.8 bn yen (+64.7%)

- Product revenue +72.2 bn yen (FX impact +20.9 bn yen)
- NRE revenue +6.8 bn yen (FX impact +4.6 bn yen)
- Others -3.2 bn yen (IP license revenue)
- Depreciation of Japanese yen +25.6 bn yen (USD/JPY 112.4→135.5)

## Operating Income YoY Changes Analysis

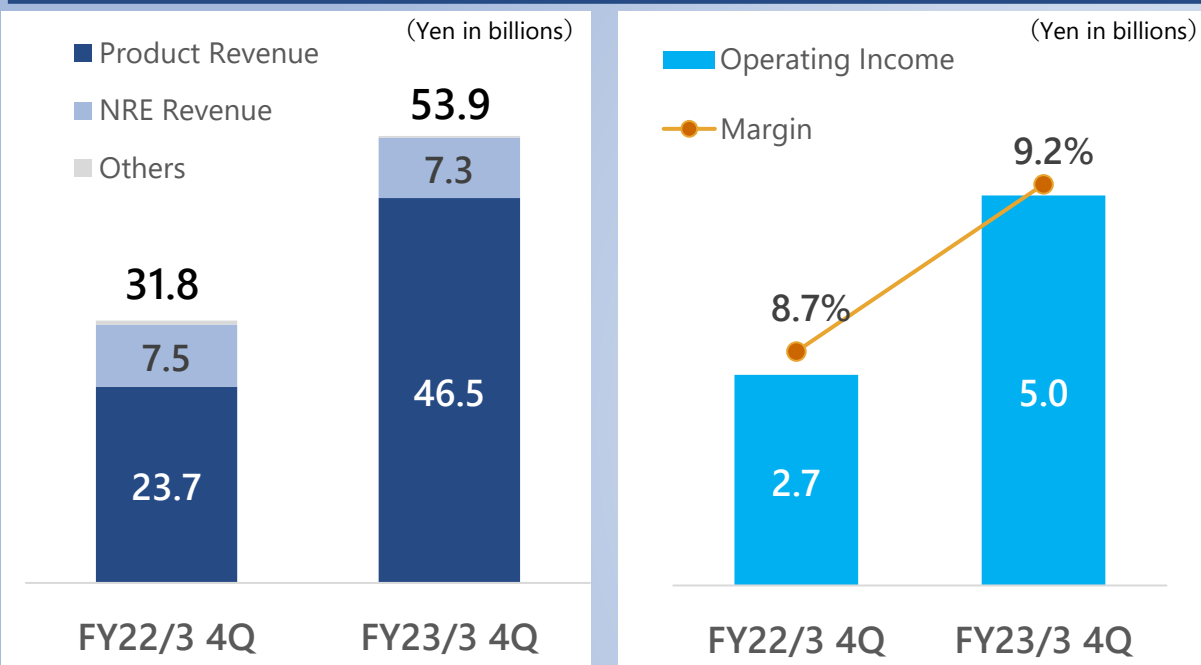


### <Operating income> YoY +13.2 bn yen (+156.5%)

- Increase in gross profit from product revenue +9.4 bn yen
- Increase in NRE revenue +2.1 bn yen
- Increase in R&D·SG&A, etc. -8.1 bn yen (Decrease in IP license revenue -3.2 bn yen)
- Depreciation of Japanese yen +9.8 bn yen

# Details of 4Q FY23/3 Financial Results - YoY Changes

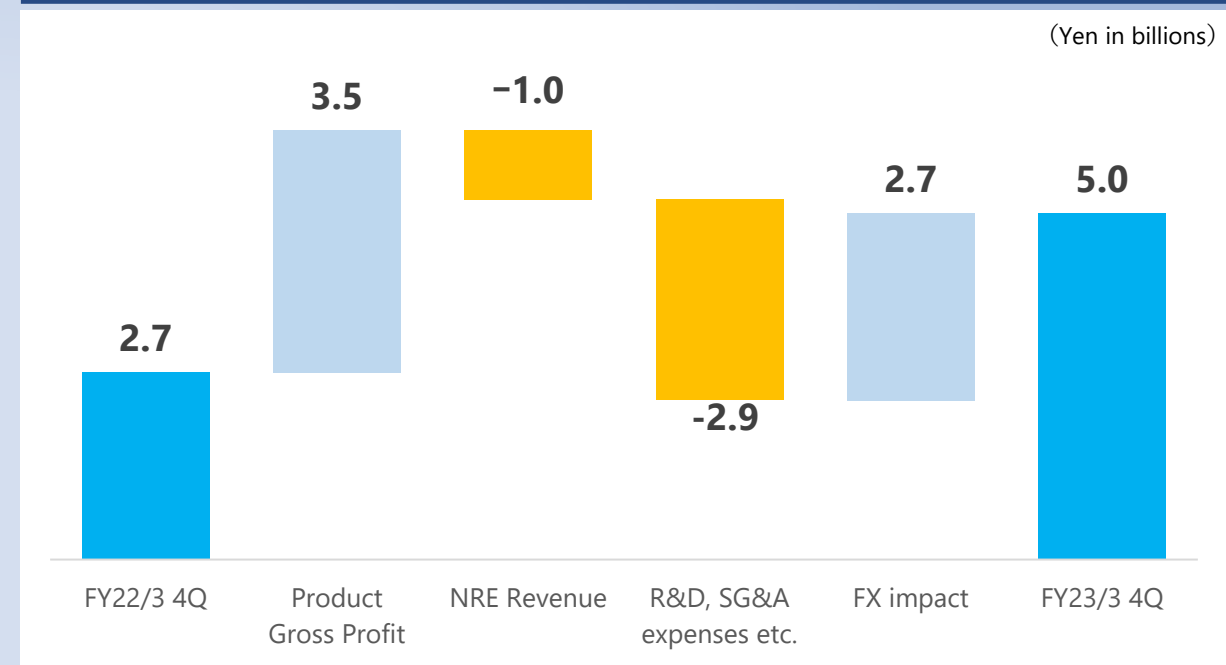
## Net Sales & Operating Income



### <Net sales> YoY +22.2 bn yen (+69.8%)

- Product revenue +22.8 bn yen (FX impact +4.7 bn yen)
- NRE revenue -0.3bn yen (FX impact +0.7bn yen)
- Others -0.3bn yen (IP license revenue)
- Depreciation of Japanese yen +5.3 bn yen (USD/JPY 116.2→132.3)

## Operating Income YoY Analysis

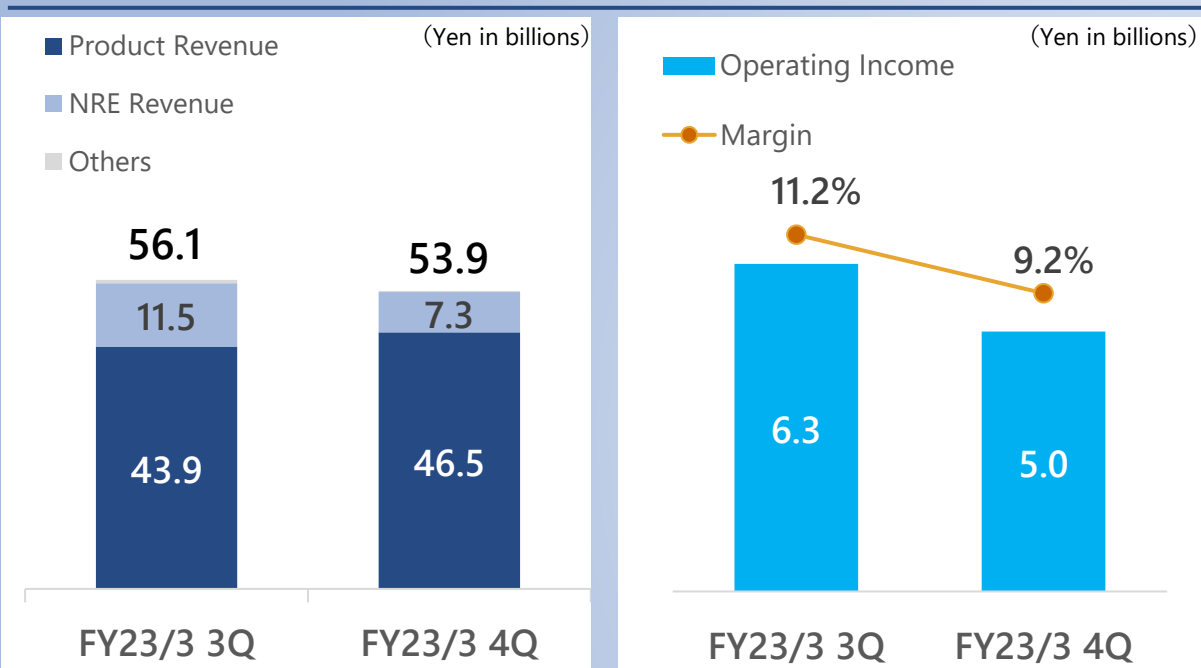


### <Operating income> YoY +2.2 bn yen (+80.7%)

- Increase in gross profit from product revenue +3.5bn yen
- Decrease in NRE revenue -1.0 bn yen
- Increase in R&D•SG &A, etc. -2.9 bn yen (Decrease in IP license revenue -0.3 bn yen)
- Depreciation of Japanese yen +2.7 bn yen

# Details of 4Q FY23/3 Financial Results - QoQ Changes

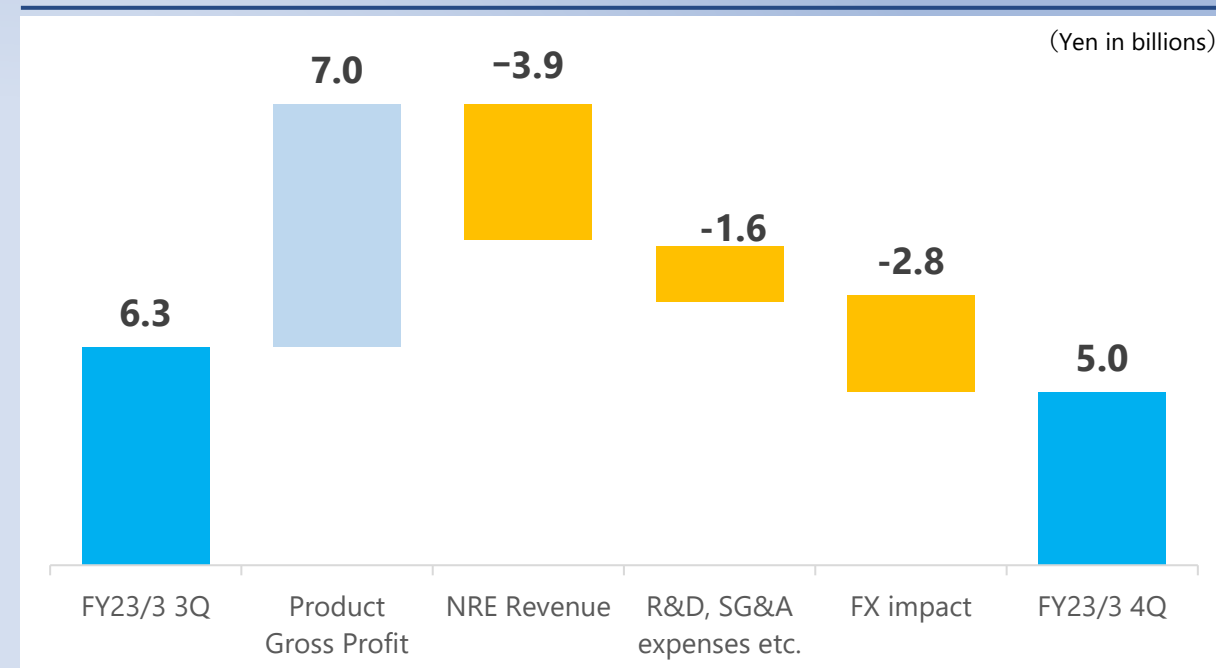
## Net Sales & Operating Income



### <Net sales> QoQ -2.1 bn yen (-3.8%)

- Product revenue 2.6 bn yen (FX impact -2.7 bn yen)
- NRE revenue -4.3 bn yen (FX impact -0.4 bn yen)
- Others -0.5bn yen (IP license revenue)
- Appreciation of Japanese yen -3.1 bn yen (USD/JPY 141.6→132.3)

## Operating Income QoQ Analysis



### <Operating income> QoQ -1.3 bn yen (-21.1 %)

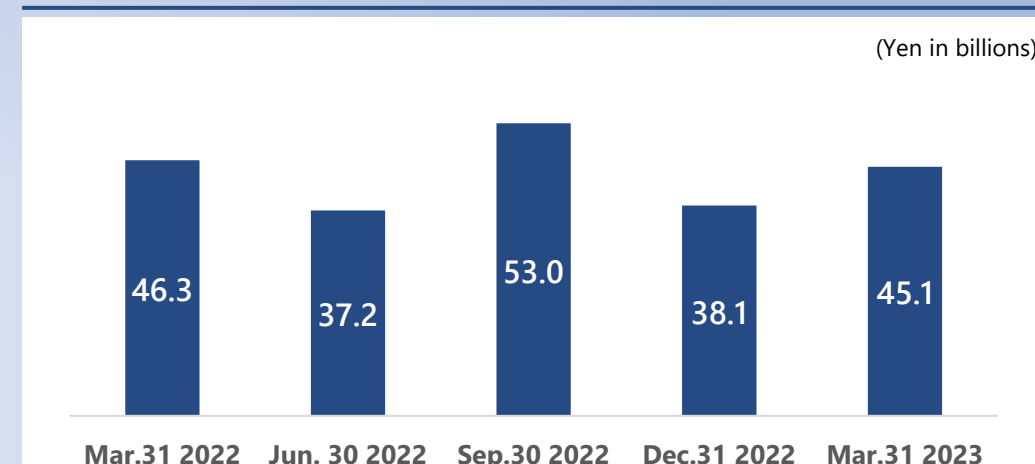
- Increase in gross profit from product revenue +7.0 bn yen
- Decrease in NRE revenue -3.9 bn yen
- Increase in R&D•SG &A, etc. -1.6 bn yen (IP license revenue -0.5 bn yen)
- Appreciation of Japanese yen -2.8bn yen



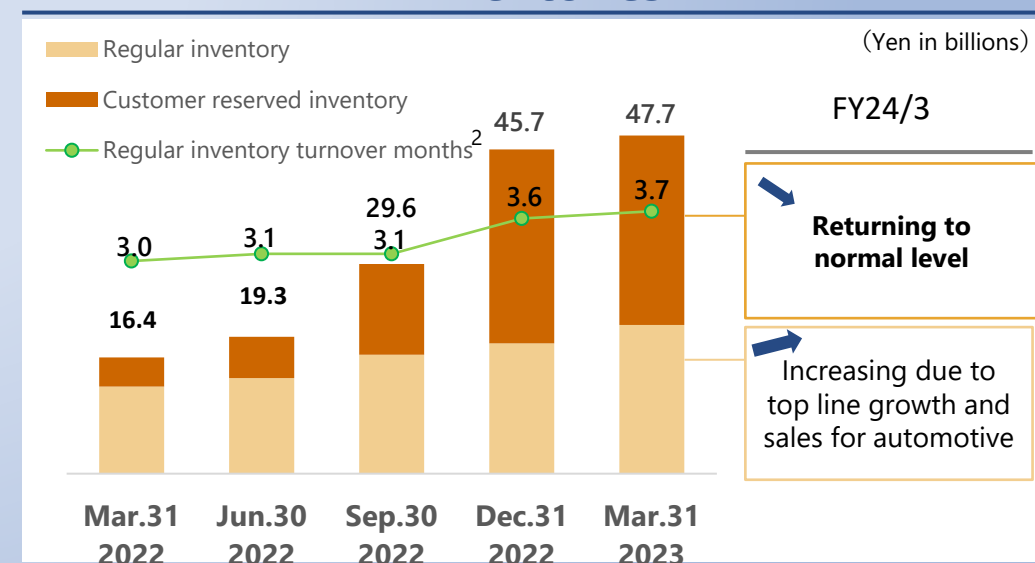
# Consolidated Balance Sheet (As of March 31, 2023)

	As of Mar.31,2022	As of Mar.31,2023	Change
(Yen in billions)			
<b>Total Assets</b>	118.4	<b>193.9</b>	+75.5
<b>Total Current Assets</b>	90.6	<b>156.1</b>	+65.5
Cash on-hand and in banks	46.3	<b>45.1</b>	-1.1
Accounts receivable-trade	25.1	<b>40.8</b>	+15.8
Inventories <sup>1</sup>	16.4	<b>47.7</b>	+31.3
Accounts receivable-other	0.9	<b>16.2</b>	+15.3
<b>Total non-Current Assets</b>	27.8	<b>37.9</b>	+10.1
<b>Total Liabilities</b>	28.8	<b>84.1</b>	+55.3
<b>Total Current Liabilities</b>	27.4	<b>82.3</b>	+54.9
Accounts payable-trade	16.6	<b>23.4</b>	+6.8
Accounts payable-other	2.1	<b>24.6</b>	+22.5
Liabilities related to changeable subcontracting	-	<b>18.9</b>	+18.9
<b>Total Net Assets</b>	89.6	<b>109.9</b>	+20.3
<b>Shareholders' Equity Ratio</b>	75.7%	56.6%	

## Cash on Hand and in Banks



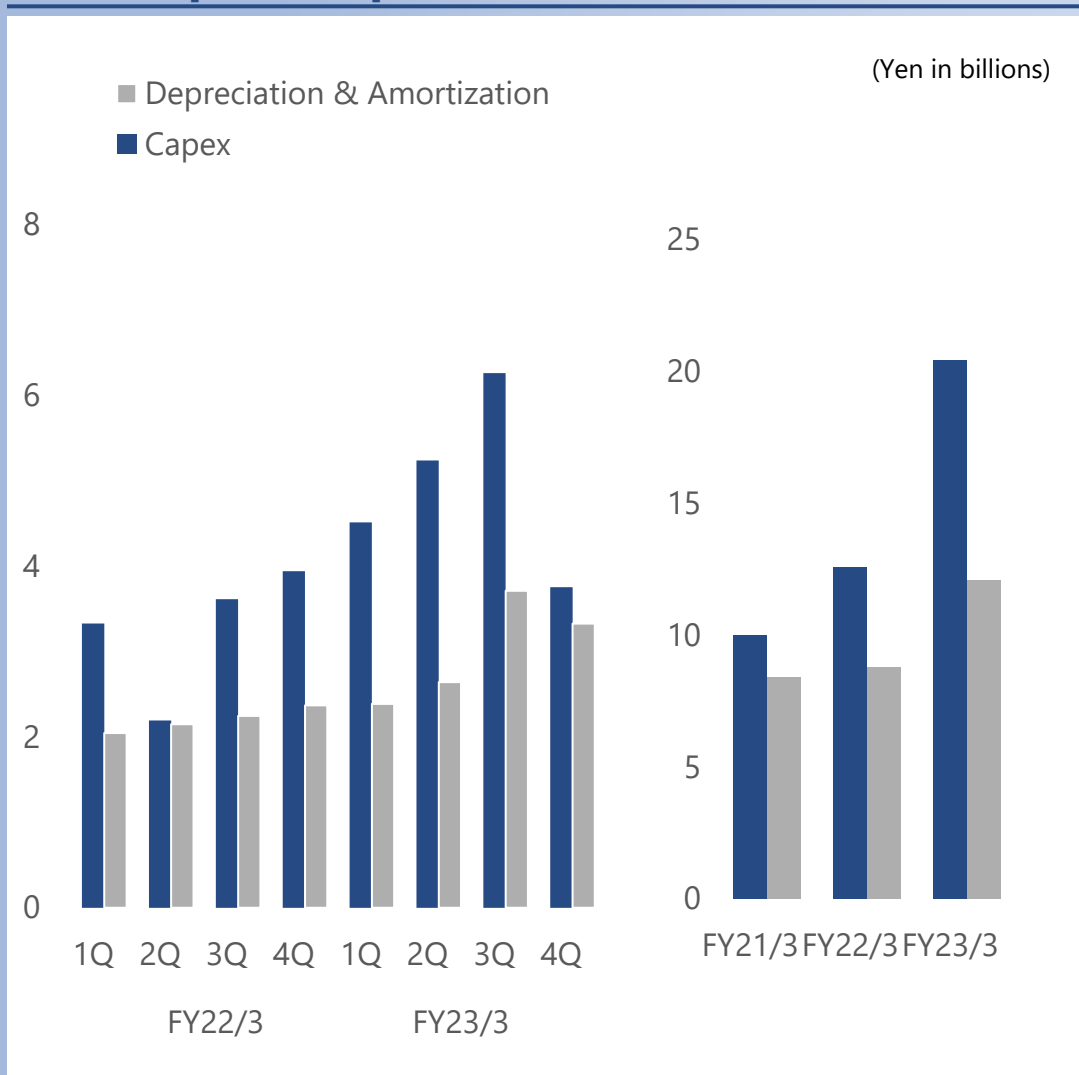
## Inventories



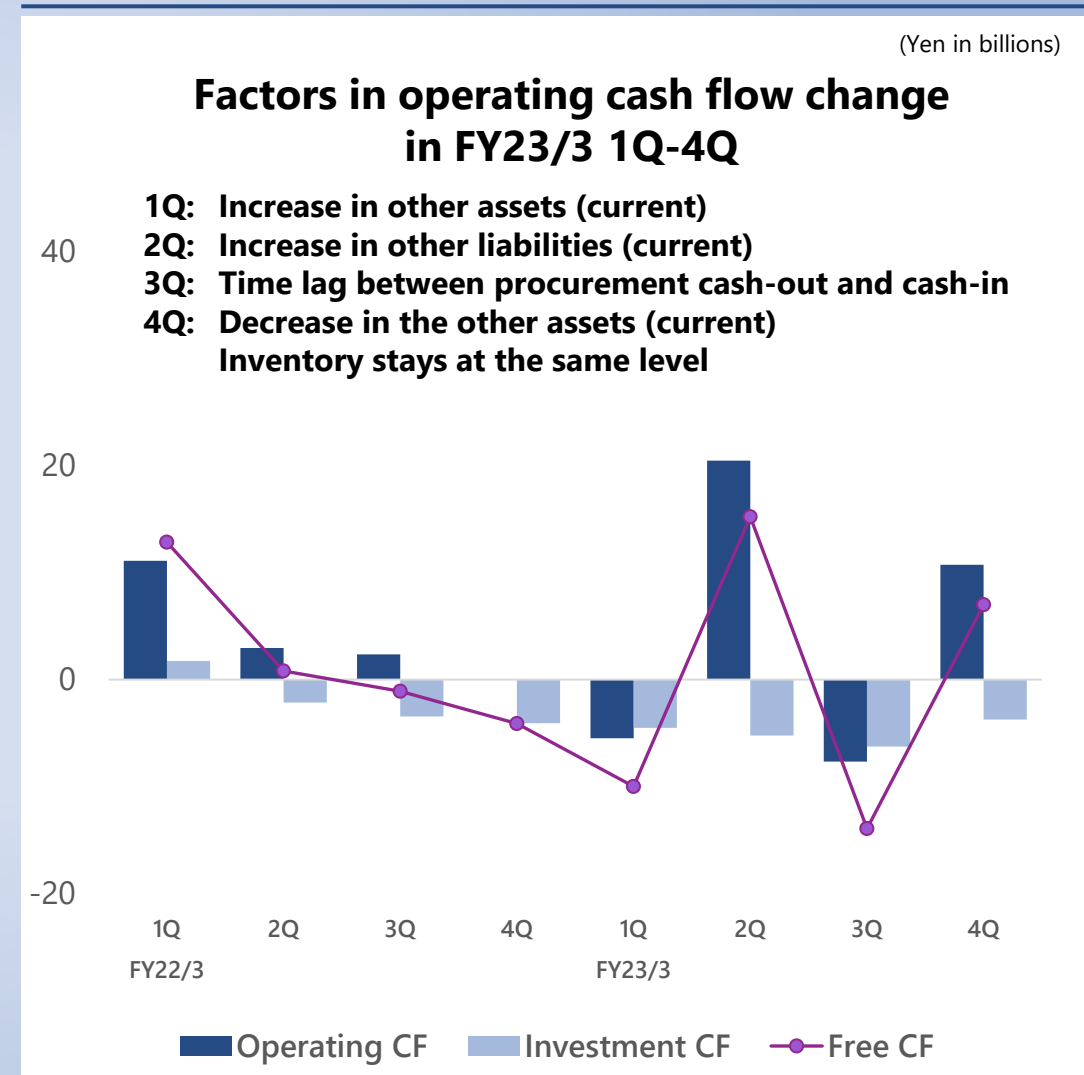
1. Inventories consist of finished goods and work in process  
 2. Regular inventory turnover months = ordinary inventories balance/Cost of Sales in 3-month average

# Capex-Depreciation & Amortization / Cash Flow

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



## Cash Flow

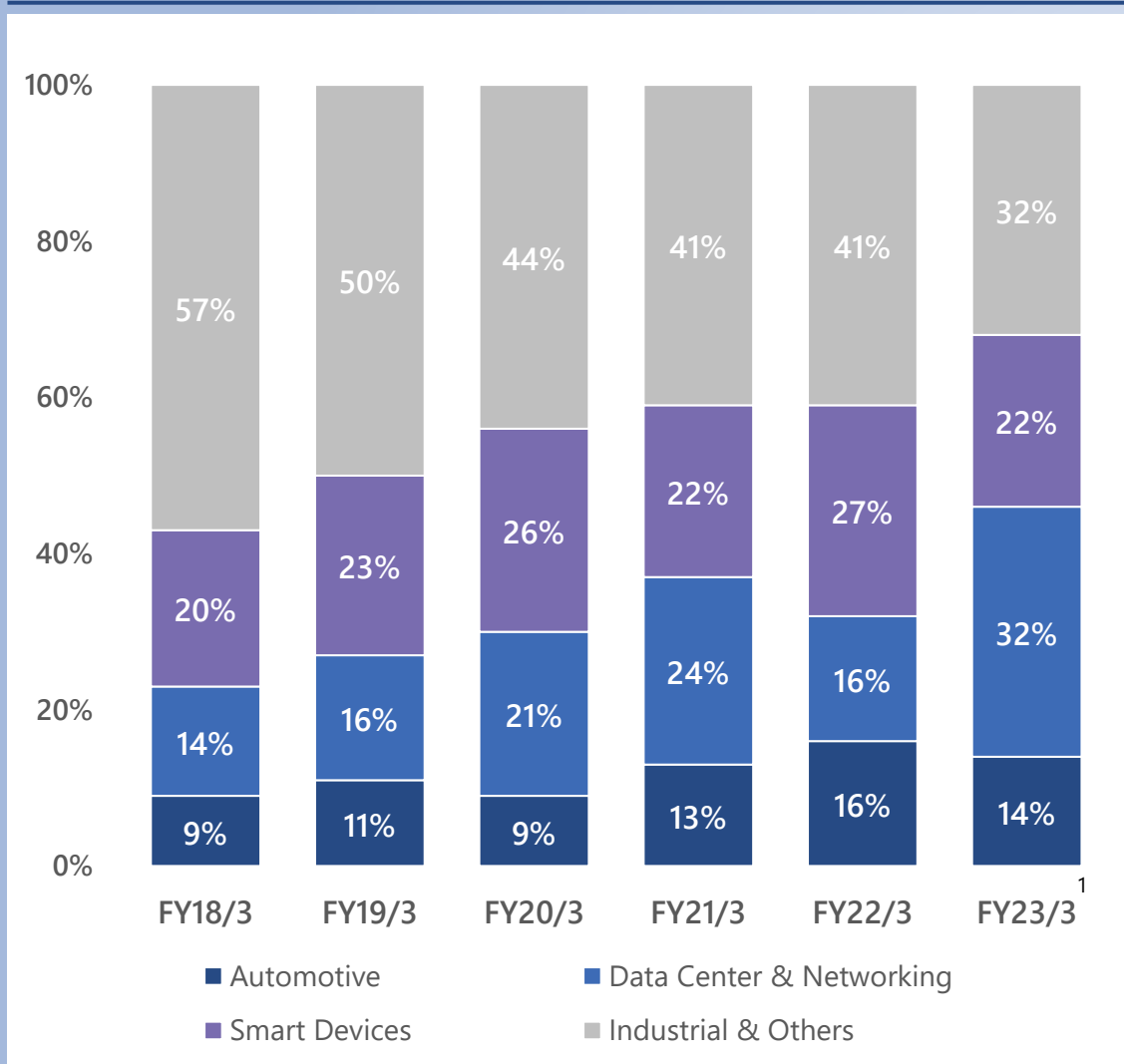


1, Capex: Purchases of PP&E + purchase of intangible assets

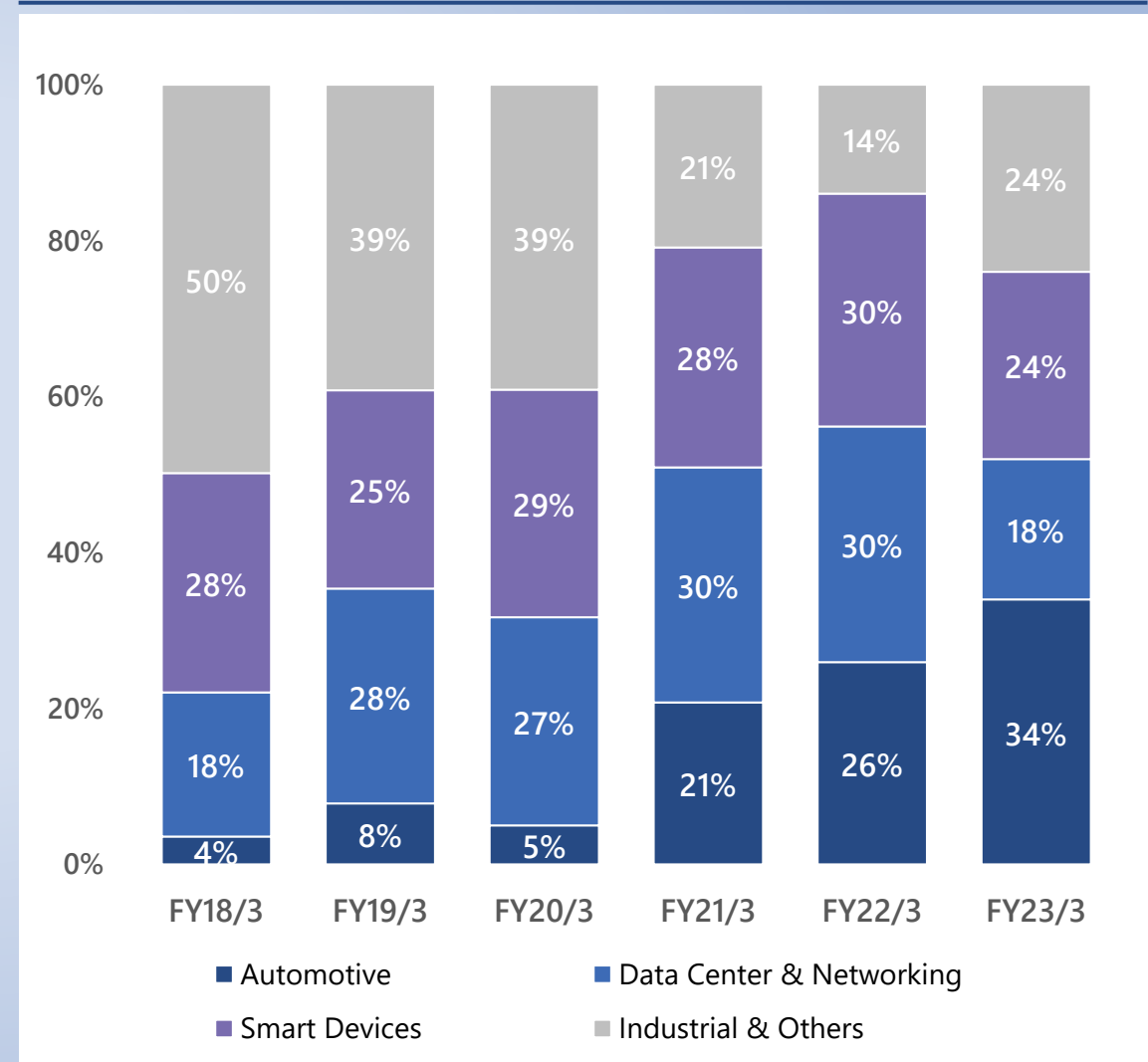
\*Quarterly financial results of FY 22/3 are unaudited •unreviewed by external auditors

# Breakdown by Application Market (Yearly Ratios)

## Net Sales

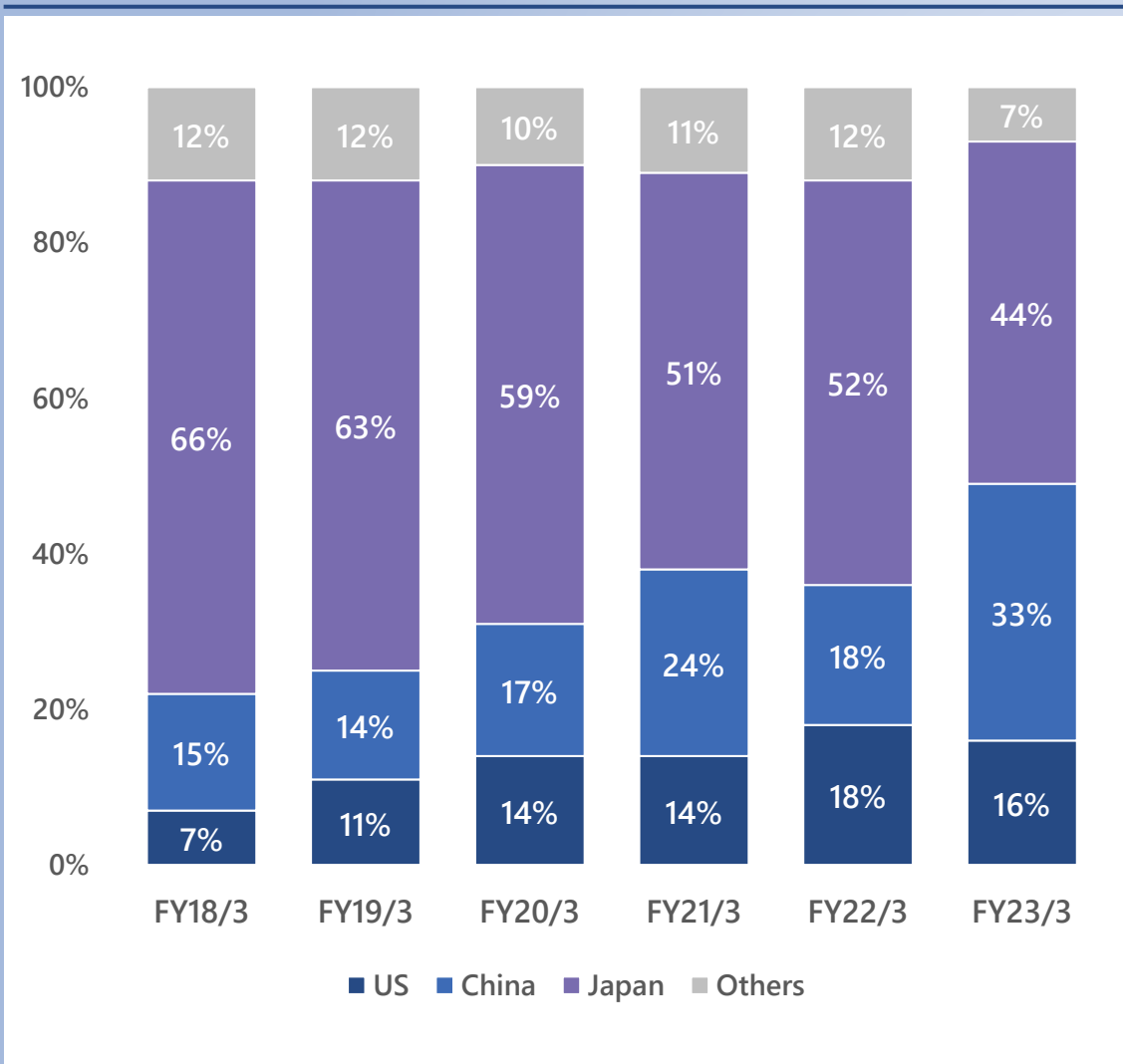


## NRE Revenue

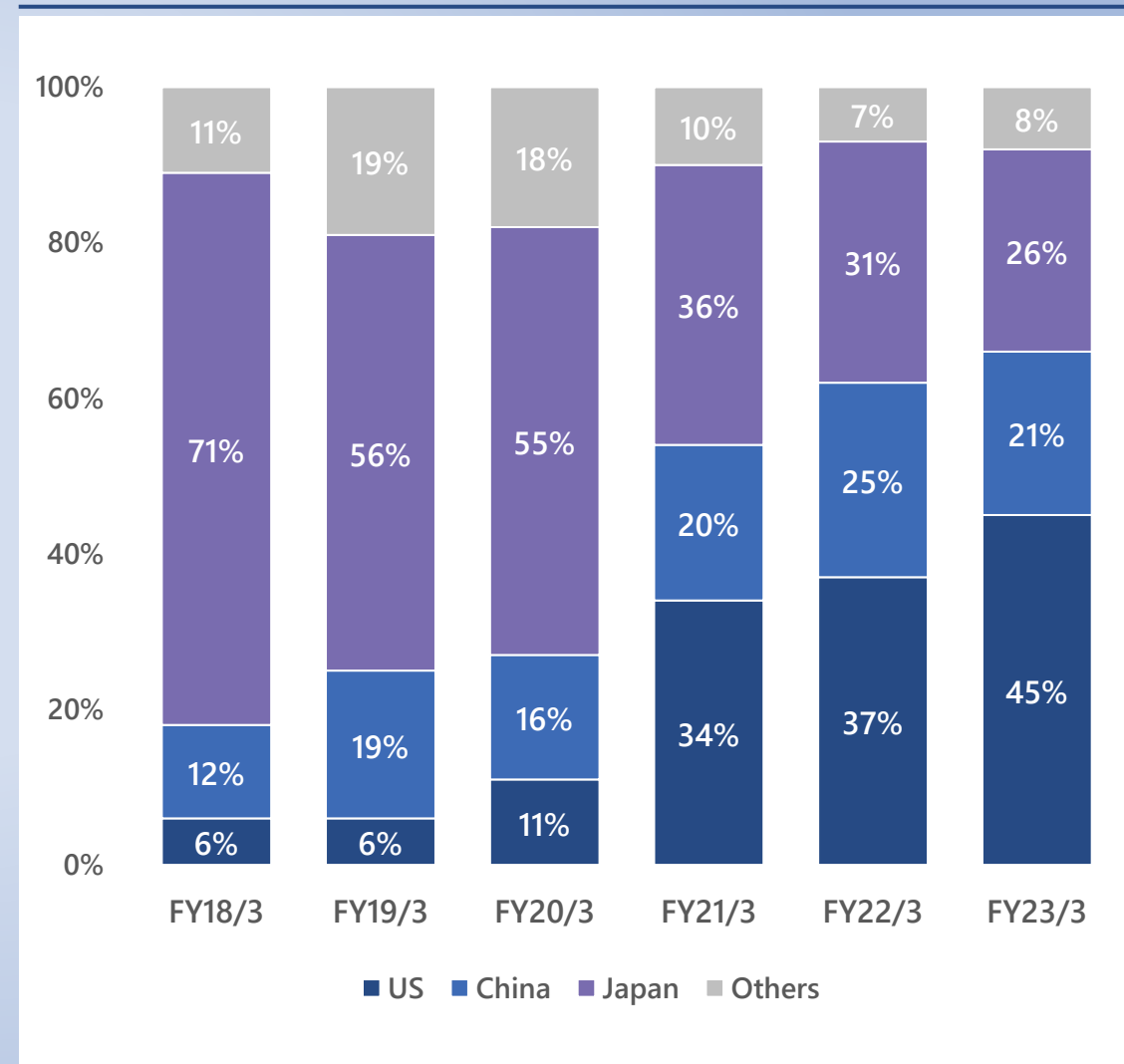


# Breakdown by Geographic Region<sup>1</sup> (Yearly Ratios)

## Net Sales



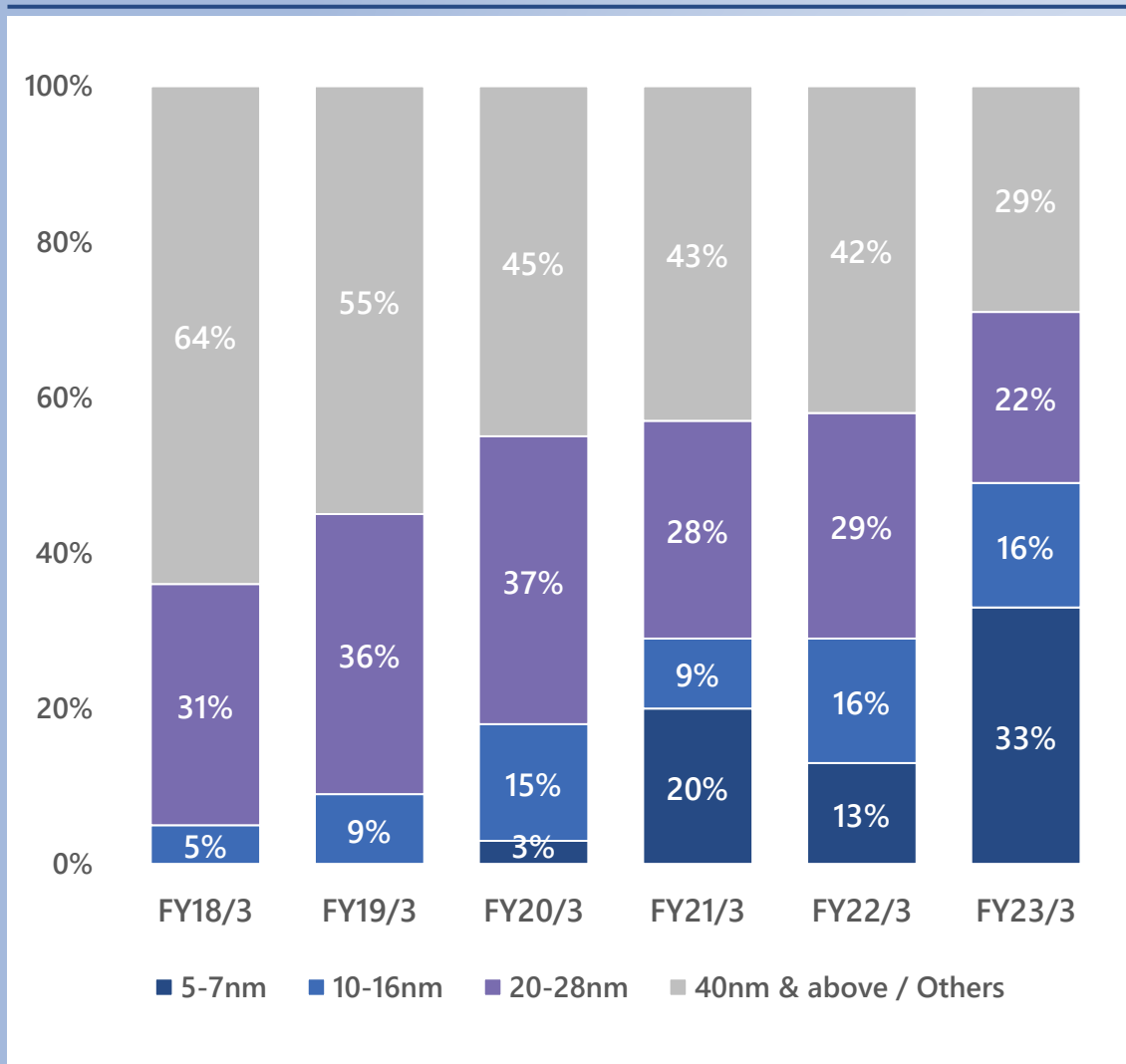
## NRE Revenue



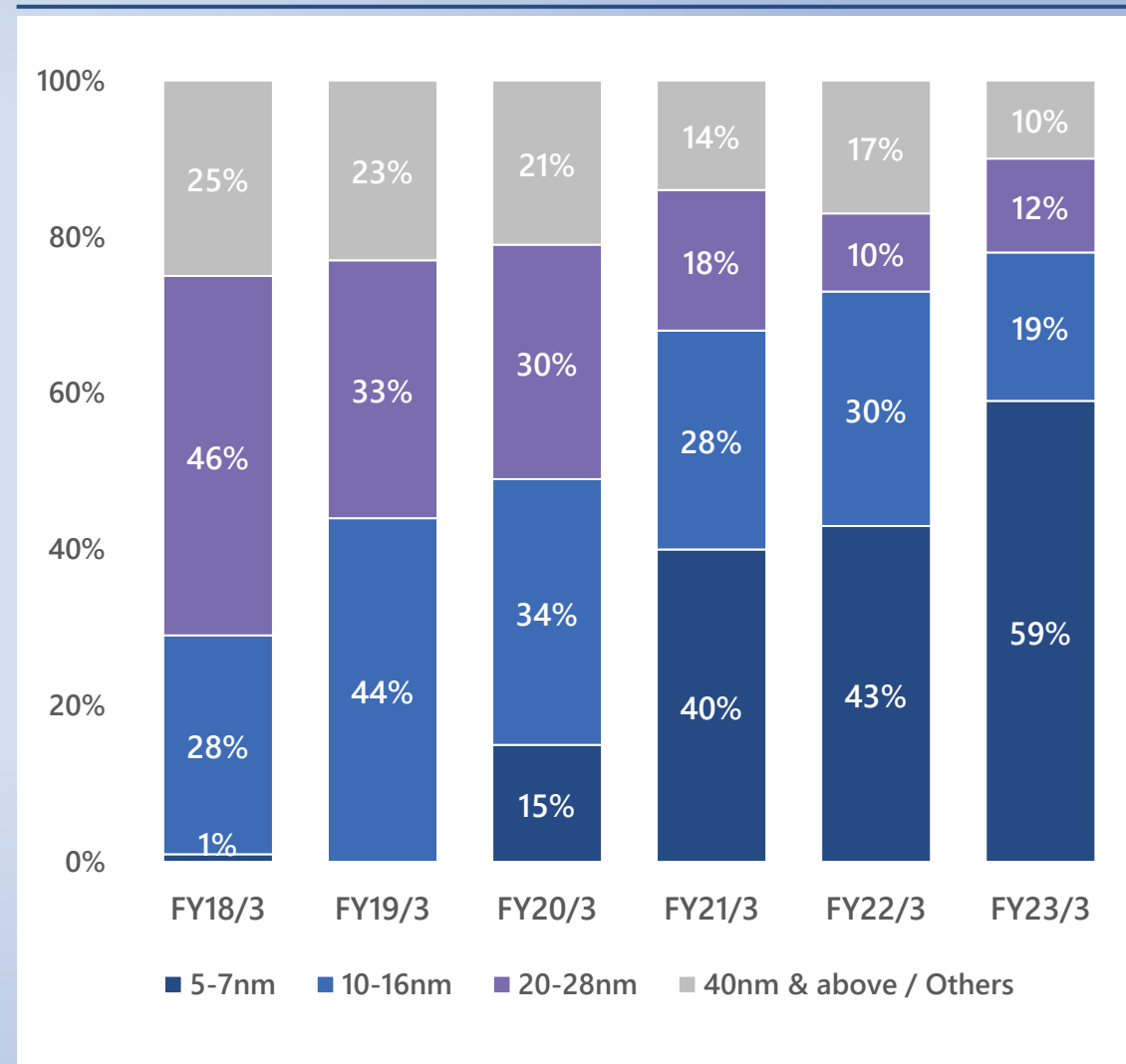
1. "Geographic region" is by each of the regional companies of Socionext

# Breakdown by Process Node (Yearly Ratios)

## Net Sales



## NRE Revenue



# Consolidated Earnings Forecast

(Yen in billions)

	FY2023/3	FY2024/3	YoY	YoY %
	Full Year Results	Full Year Forecast as of April 2023		
<b>Net Sales</b>	192.8	<b>200.0</b>	7.2	3.8%
<b>Operating Income</b>	21.7	<b>22.5</b>	0.8	3.6%
Margin	11.3%	<b>11.3%</b>	0.0%pt	
<b>Profit</b>	19.8	<b>17.5</b>	-2.3	-11.5%
Margin	10.3%	<b>8.8%</b>	-1.5%pt	
<b>Basic Earnings per Share</b>	587.02yen	<b>519.80yen</b>		
<b>Dividends per Share</b>	<b>210.00yen</b>	<b>210.00yen</b>		
<b>FX Rate (USD/JPY)</b>	135.5yen	<b>115.0yen</b>		

- **FX sensitivity: Appreciation or depreciation of 1 yen against USD would have impact of approximately 1.3 billion yen on Net Sales and 0.35 billion yen on Operating Income annually. The exchange rate sensitivity of JPY to other currencies would be minor**
- **Dividend forecast was 160 yen per share as of September 2022 and 190 yen per share as of January 2023**

# Background of Earnings Forecast / Market Trend

## Revenue forecast

### ■ Product revenue

#### ■ Application Market:

- Increase for Automotive, Data Center & Networking and Industrial
- Slight increase for Consumer, Smart Devices

#### ■ FY24/3 First and Second Half Fluctuation:

1H revenue may exceed 2H due to "Special Demand"

#### ■ Geographical Region:

- China: Increase in Automotive, Data Center & Networking
- US: Slight increase including for consumers
- Japan: Increase in Smart Devices and Automotive, while consumer products expected to decline

### ■ NRE revenue

- Gradual increase expected in real term, but overall revenue will slightly decrease due to FX impact

## Operating Income forecast

### ■ Operating Income

#### ■ FX rate assumption: 1USD = 115JPY

**FX sensitivity (annual):** 1.3 billion for net sales, 0.35 billion yen for OP, per 1 yen appreciation or depreciation against USD

#### ■ Product Gross Profit Margin:

Expected to improve slightly due to decrease of advance procurement

#### ■ Increase in R&D and SG&A:

- R&D cost for leading-edge technology products, Depreciation & Amortization
- IT investment, Overseas selling expense
- Cost of labor to maintain human resources

## Business and market trend



### Automotive

- Innovation continues for ADAS (Advanced Driver Assistance System) and AD (Autonomous Driving)
- Demand is active for zone architecture and sensing SoCs



### Data Center & Networking

- Demand for 5G and cloud service SoCs is in growth trend
- Acquiring new design wins in the US remains a challenge



### Smart Devices

- Demand for interchangeable lens cameras is expanding / Action cameras are shifting towards higher image quality and luxury
- Opportunities with advanced customers are increasing in computer vision and AR markets



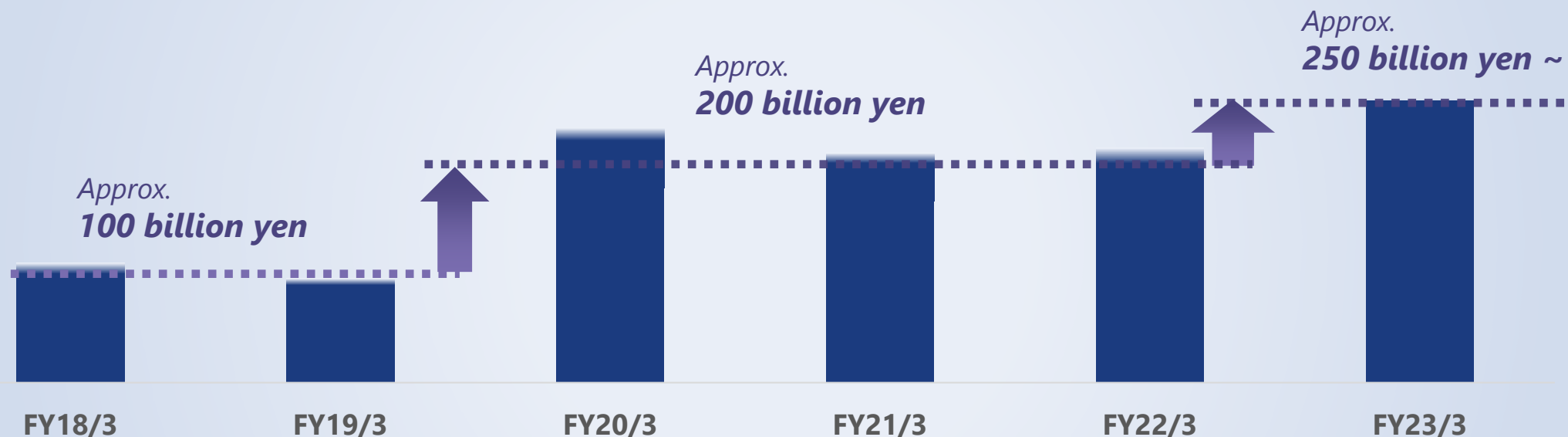
### Industrial & Others

- Opportunities are increasing for large-scale SoCs for FA and measurement equipment, as well as for custom SoCs using RF-CMOS technologies

# Strong Design Wins

- “Design Win Amount” has approximately doubled through transformation since 2018
- Acquired approximately 250 billion yen in FY23/3, keeping growth trend

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



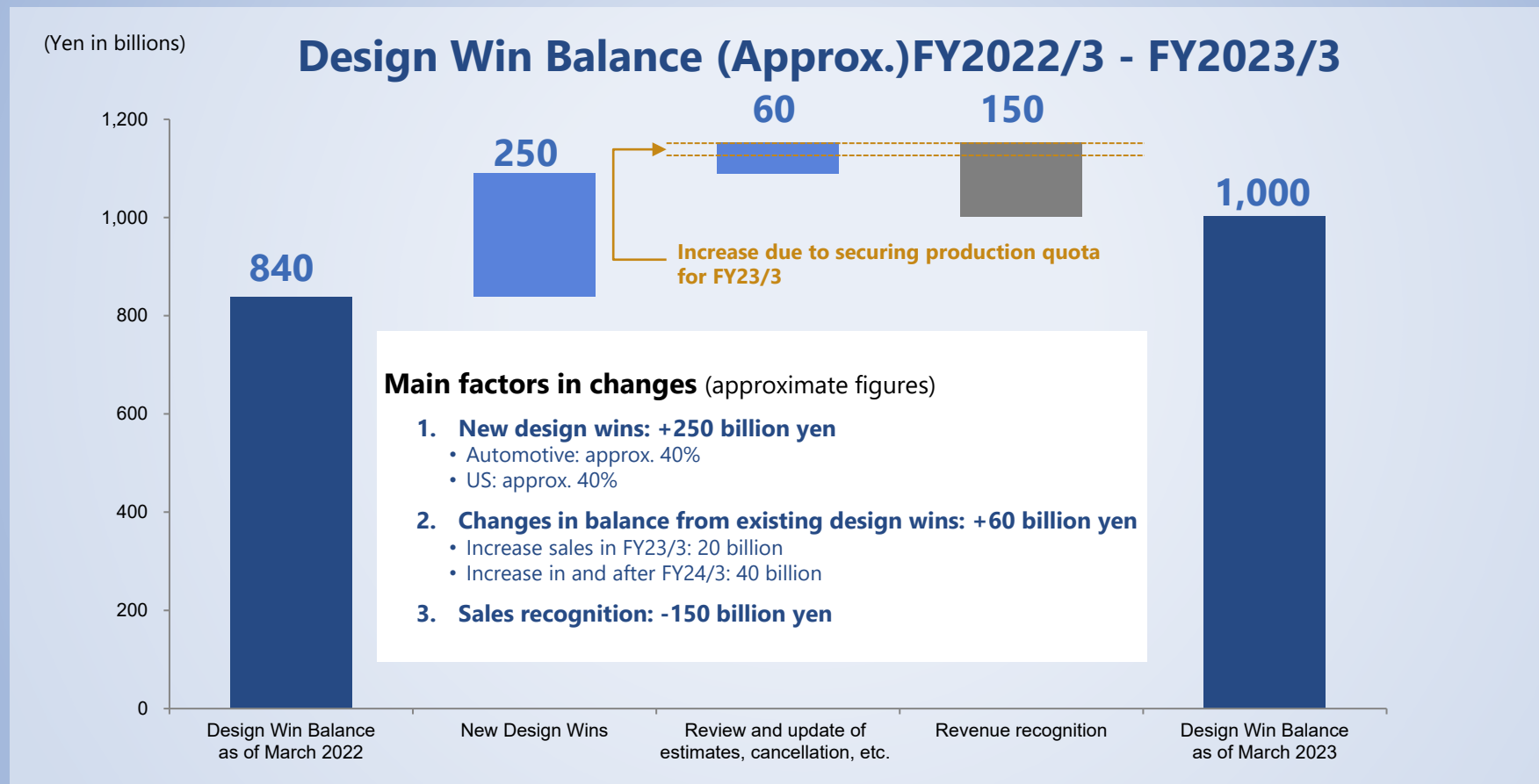
We do not update the “design win amount” for any changes in circumstances that we become aware of after such period-end date. Those changes include: (1) recognition of revenue relating to such projects or any other subsequent changes in the development process, estimated sales volumes, unit prices, available manufacturing capacity or other factors that occur, and (2) any subsequent cancellation of projects. For example, certain projects in 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 1USD=100JPY has been used with respect to all six periods set forth in the above graph.

1. The life-time revenue (or LTR) of the “design win amount” for a particular period reflects our expectations as of the end of such period, based on various estimations and assumptions that we believe to be reasonable at such time, regarding the total future revenue from the design win projects that were acquired during such period, many of which involve a considerable degree of subjective judgment. Actual revenues could differ, and our expectations regarding future revenues could change after such period-end date, due to various factors such as subsequent cancellations, changes in the development process and costs, actual revenues earned, changes regarding sales volumes and product durations, price changes, changes in our manufacturing capacity and the impact of foreign exchange fluctuations, among others. In addition, we continue to refine our estimation methods without retroactively updating past-period amounts. As a result of the foregoing, a direct period-to-period comparison may not be meaningful beyond describing general trends over extended periods.



# Design Win Balance: Breakdown of Changes

- **Design Win Balance increased from March 2022 with acquisition of new design wins and increase of amount for products currently in production stage**
- **Approximately 60% of current Design Win Balance expected to be turned into net sales in FY25/3 to FY28/3**

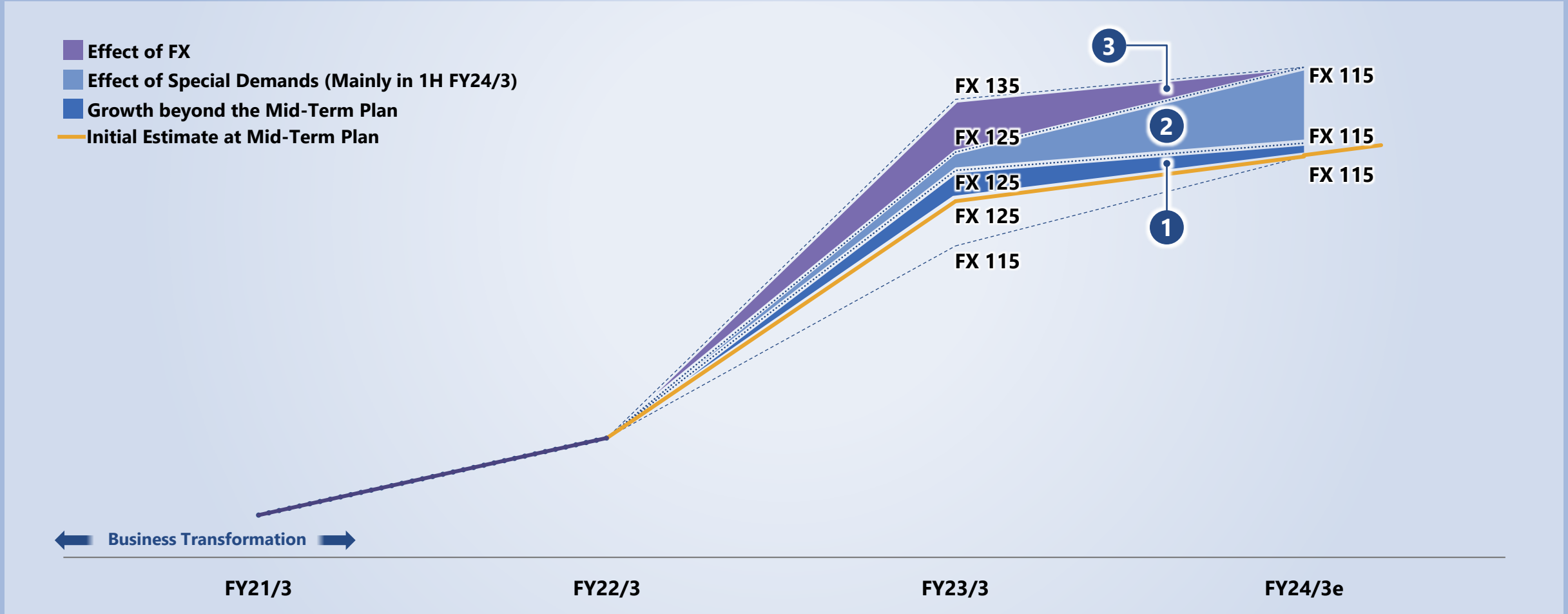


- Design Win Balance is calculated on assumption of 1USD=100JPY
- “Special Demand” is excluded for the following reasons: (1) Sales are likely to fluctuate (2) It is expected to be recorded as sales mainly in 1H FY24/3 and deducted from the balance (3) Considering the situations including advance wafer procurement by customer request, we considered it is not appropriate to count the amount from Special Demand into Design Win Balance, an index to evaluate and analyze long-term revenue trend
- Amounts on this slide are rounded to the nearest billion yen
- Changes in balance from existing design wins include cancellation and review / update of estimates by change of production volume, sales price, etc.
- Design Win Balance as of June 2022 was 880 billion yen

# Mid-Term Financial Target

## -Top Line Growth

- Sales growth are driven by product sales from existing design wins and acquiring new design wins
- “Growth beyond the Mid-Term Plan (1)” and “Effect of FX (3)” are expected
- “Effect of Special Demands (2)” also contributes to growth



# Design Win Balance by Application Market and Geographic Region

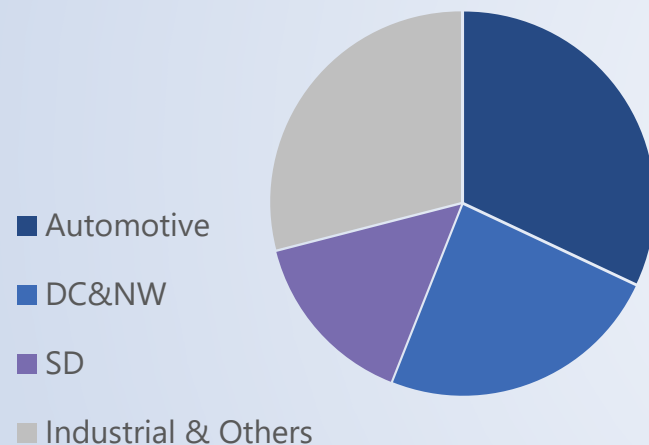
## ■ By application market:

- Reflecting the recent strong design wins in automotive market, approx. 30% of Design Win Balance is from "Automotive", 20+% is from "Data Center & Networking", and 10+% is from "Smart Devices"
- Growth in demand for advanced SoCs in the industrial equipment has resulted in "Industrial & Others" accounting for approx. 30%

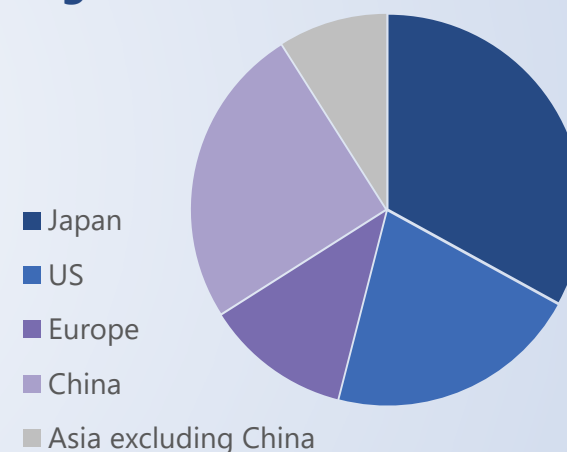
## ■ By geographic region:

- Japan continues to account for about one third, but share of US and China increased to about 20% and about one quarter respectively / Europe accounts for about 10%

### By application market



### By geographic region



## ■ By application market: relatively well-balanced increase in Design Win Balance

### By region: US and China each saw an increase in Design Win Balance

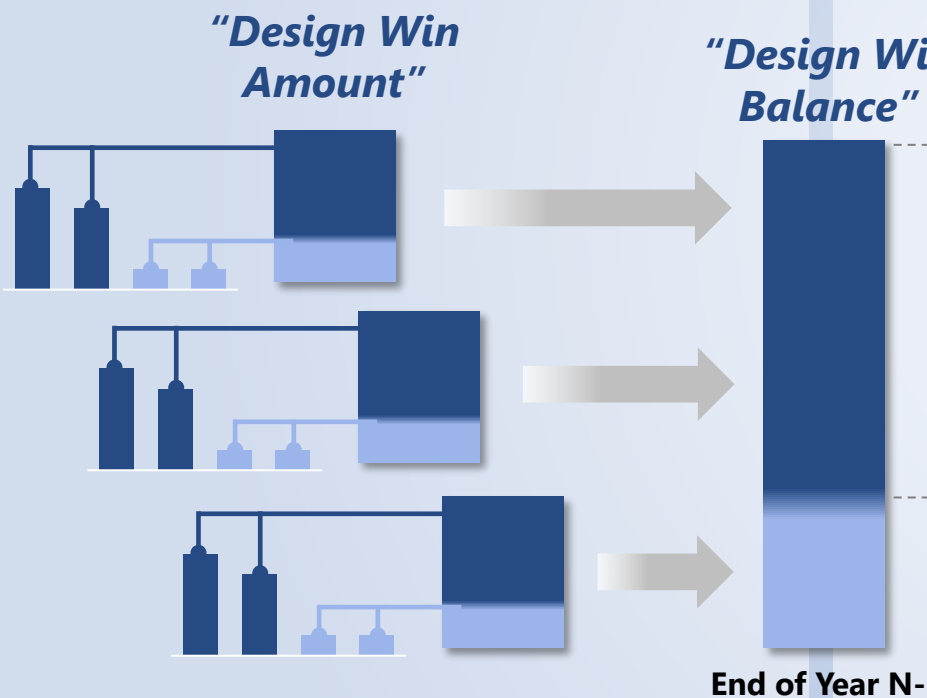
- Sales from DC&NW and Automotive businesses in China will grow faster than Automotive in US / Share of China continues to expand for now
- In the mid-term, well-balanced sales growth is expected, in line with the composition of Design Win Balance

# Detail of “Design Win Amount” to Revenue Illustrative Description of “Design Win Balance”

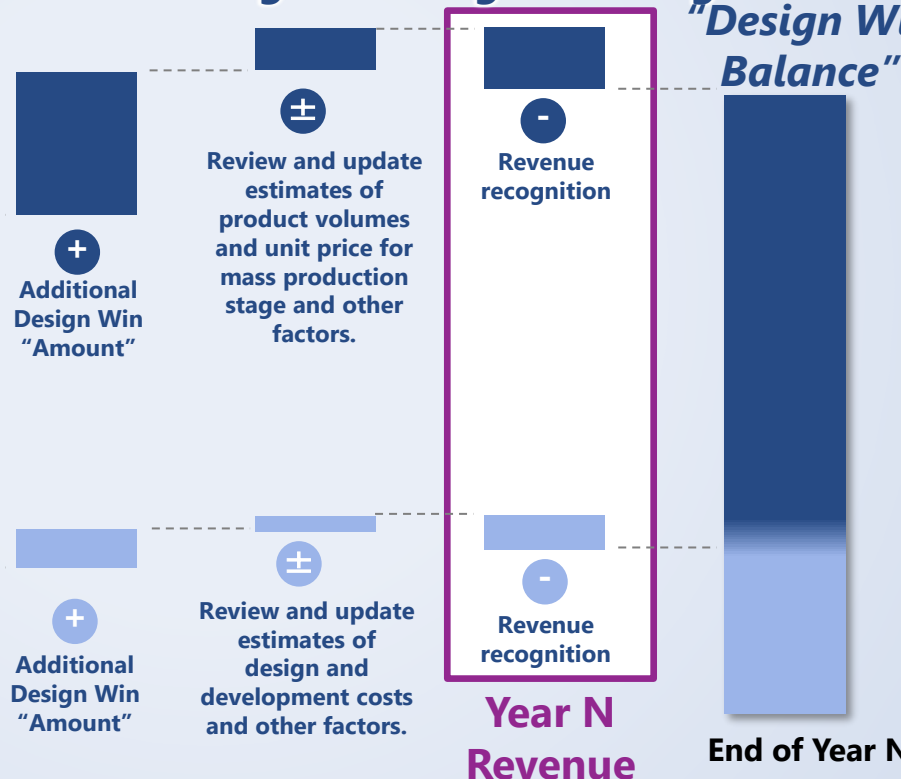
## “Design Win Balance”<sup>1</sup> . . .

“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.

## “Design Win Amount” calculated from “Design Win Balance”<sup>3</sup>



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

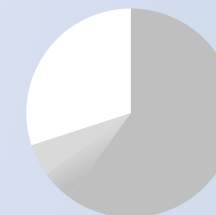


■ Product Revenue<sup>3</sup>  
■ NRE Revenue<sup>3</sup>

“Design Win Balance”  
(As of March 31<sup>st</sup>, 2023)

Approx.

JPY 1 trillion



Ratio of Focus Areas

1. “Design win balance” represents our estimates of remaining accumulated “design win amount” that is associated with projects that are active as of a particular date. “Design win balance” thus reflects certain subsequent developments after the end of the period in which such design win was acquired up until the relevant balance date, including (1) recognition of revenue relating to such projects or any other subsequent changes in the development process, estimated sales volumes, unit prices, available manufacturing capacity or other factors that occur, which could either increase or decrease “design win balance” and (2) any subsequent cancellation of projects. For example, certain projects in our 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 1USD=100JPY has been used

2. For illustrative purposes only

3. Refer to slide 43

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## Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

- *FY23/3 Results*
- *FY24/3 Forecast*

## Mid-Term Financial Model



# Mid-Term Financial Targets

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

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.

# Roadmap to OP Margin Target

- Increase product revenue through accumulated design wins
- Improve profitability with product revenue increase and operating leverage

## Roadmap to OP Margin Target

<p><b>OP Margin (FY22/3)</b></p> <p><b>7.2%</b></p>				<p><b>OP Margin (Mid-Term target<sup>2</sup>)</b></p> <p><b>Low-to-Mid teen%</b></p>
	<p><b>1</b></p> <p><b>Decline in GP Margin</b></p>	<p><b>2</b></p> <p><b>Improvement in R&amp;D / Net Sales Ratio</b></p>	<p><b>3</b></p> <p><b>Improvement in SG&amp;A / Net Sales Ratio</b></p>	
<p><b><i>Mechanism</i></b></p>	<ul style="list-style-type: none"> <li>▪ Increase in product revenue</li> <li>▪ Increase in product revenue ratio<sup>1</sup></li> <li>▪ GP margin decreases due to decline in proportion of NRE revenue, but amount of GP will increase</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase in product revenue</li> <li>▪ Improvement in R&amp;D efficiency while total expense increases</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase in total net sales</li> </ul>	
<p><b><i>Impact on OP Margin</i></b></p>				
<p><b><i>Progress</i></b></p>	<ul style="list-style-type: none"> <li>▪ In line with expectation along with product revenue increase</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ratio is steadily getting lower, still room for improvement</li> </ul>	<ul style="list-style-type: none"> <li>▪ Improving over expectation</li> </ul>	

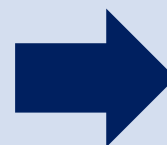
1. Product revenue ratio is defined as product revenue divided by net sales, which indicates how much portion of net sales comes from sales of products as opposed to NRE revenues  
 2. For the mid-term financial targets, please see slides 22

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

**"Phase 1 Transformation"**

**More design wins by "outside-in change"**

- Transformation of business model and focus business area
  - Expand "Design Win Amount" → Expand "Design Win Balance"
  - Expand product revenue
  - Expand profit by operating leverage

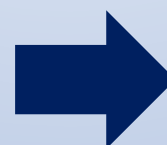


Mid-Term Financial Targets				
	FY21/3	FY22/3	Mid-Term Target	FY23/3 Results
Net Sales	99.7 billion yen	117.0 billion yen	High teen% CAGR	192.8 billion yen
OP Margin	1.6%	7.2%	Low-to-Mid teen%	11.3%



**Further Growth and Development through "Phase 2 Transformation"**

- Build competitive R&D structure / active investment
- Strengthen ties to SoC ecosystem
- Maintain high level of design win amount



## "Aiming for further Growth"



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

## Market Trend

### Increase in demand for "Solution SoC" to continue

Entering the era of "More Than Moore", new services and applications continue to emerge

## Growth Strategy

<b>AD/ADAS</b>	Continue to leverage the competitive strength of the Solution SoC business model
<b>5G/DC/HPC</b>	Strengthen investment and offer broader range of products
<b>Smart Device</b>	Enhance capabilities in advanced and low power technologies in innovative markets
<b>Industrial and Others</b>	Leverage "Solution SoC" business model for industrial market and provide custom SoC with advanced process nodes or RF-CMOS technologies



## R&D

### Strengthen "Solution SoC" design platform Investment in leading technologies

Enhance R&D efficiency and technology capability

## Transformation of R&D Structure

### Build 3-tier R&D structure to address business expansion

Global R&D Leading Team - Project Management - R&D Resources

**Continue to Acquire New Design Wins**

# Strengthen R&D and Investment in Leading 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

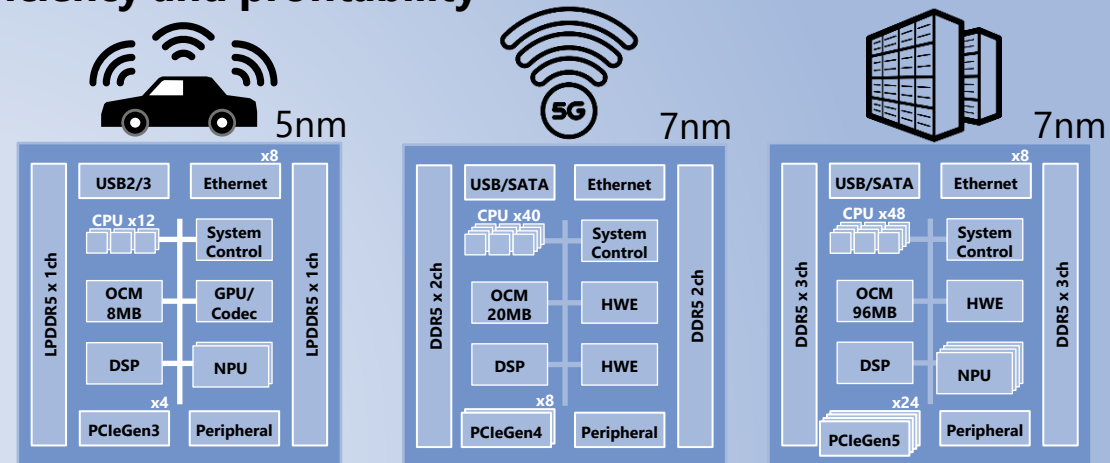
- Move to platform-based design, **based on a computer architecture**
- Keep up with technology evolution while maintaining the existing assets of each functional layers.

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

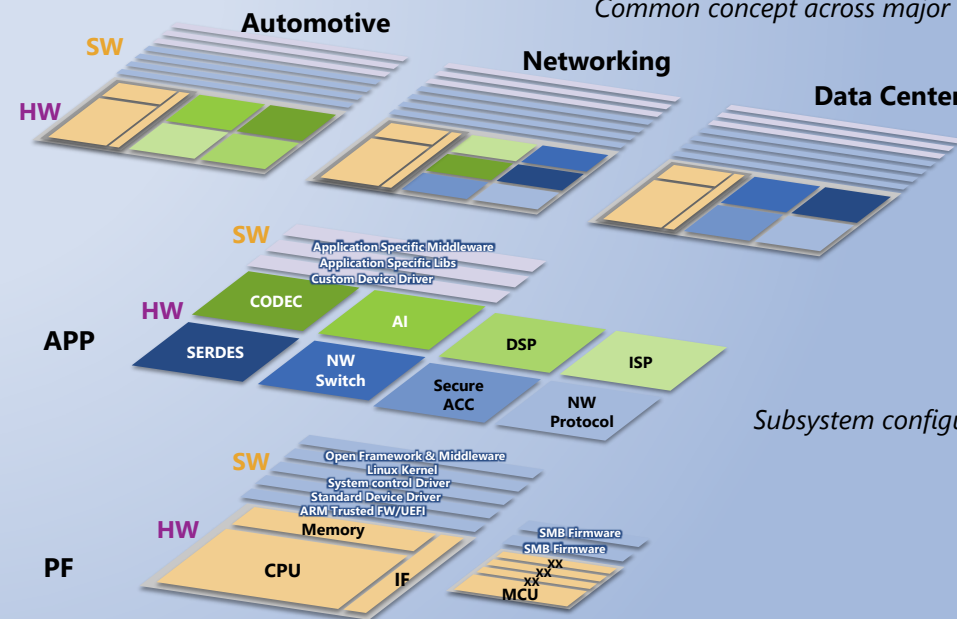
## Socionext's initiatives

- 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**

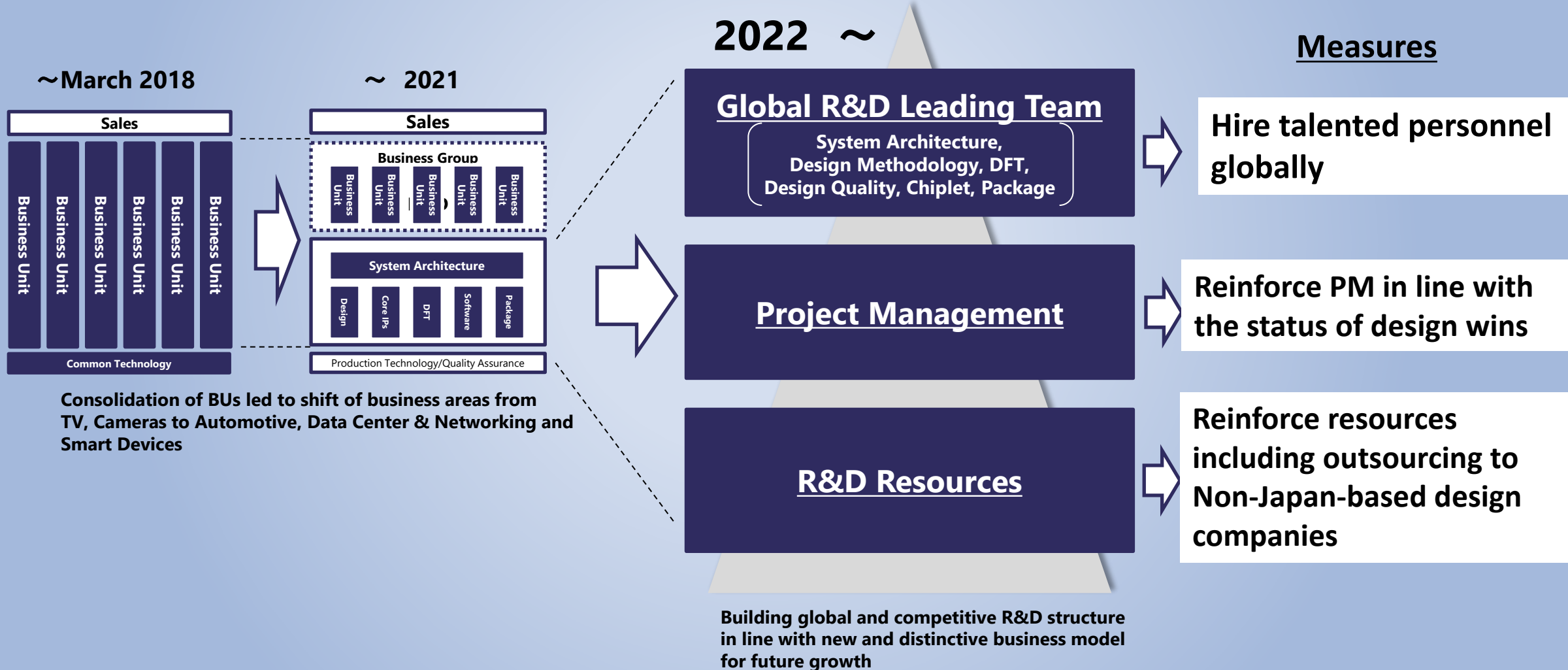


Common concept across major markets



Subsystem configurations

- 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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## Appendix:

### Overview

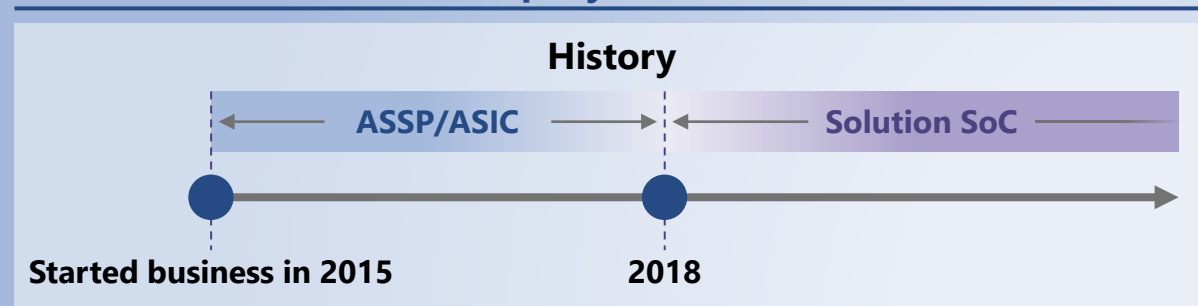
- *Socionext at a Glance*
- *Solution SoC Business Model*
- *Transformation*
- *Market*



# Socionext at a Glance

- 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

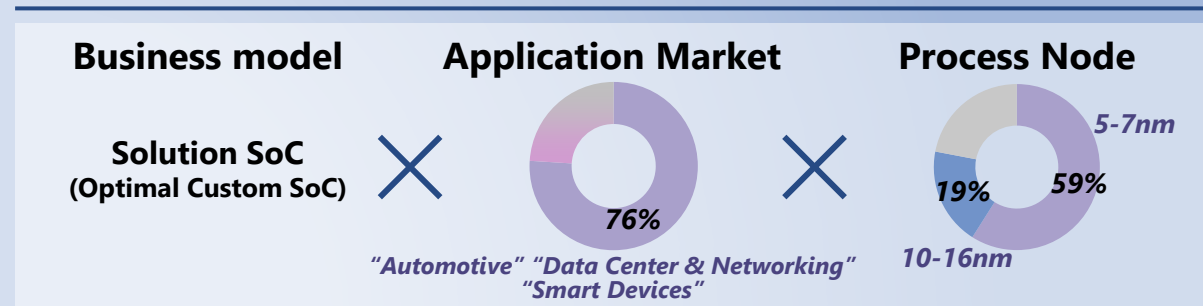


<b>Business Description</b> <b>Fabless Custom SoCs</b>	<b>Capital</b> <b>30.2 billion yen</b>	<b>Employees<sup>1</sup></b> As of March 2023 Global Employees <b>2,526</b> Engineers <sup>2</sup> <b>1,900</b> (Approx.)
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## Key Financials FY23/3

<b>Net Sales</b> <b>192.8 billion yen</b>	<b>Net Sales Growth (YoY)</b> <b>64.7%</b>	<b>OP Margin</b> <b>11.3%</b>
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## Business Overview (Ratio is NRE revenue breakdown for FY23/3)



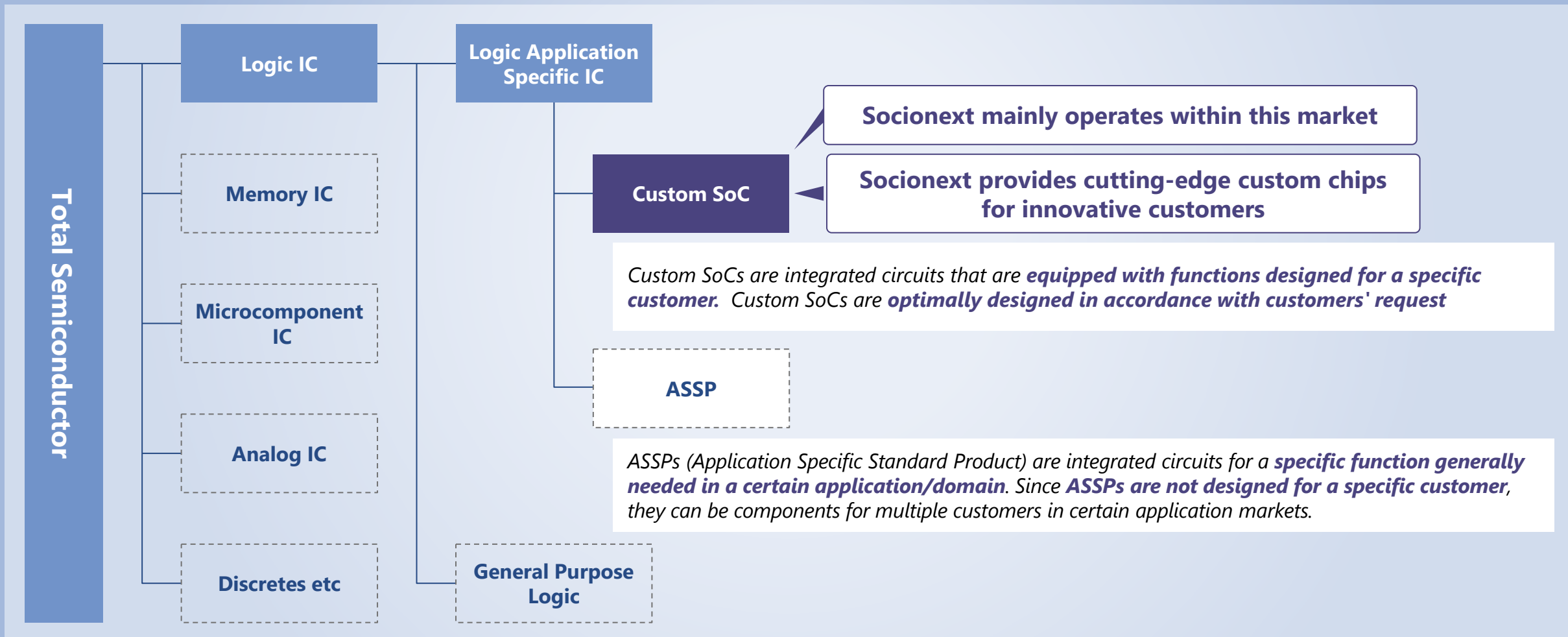
## ~Socionext's Positioning in Semiconductor Market~



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. Estimated by Socionext based on Data by Omdia

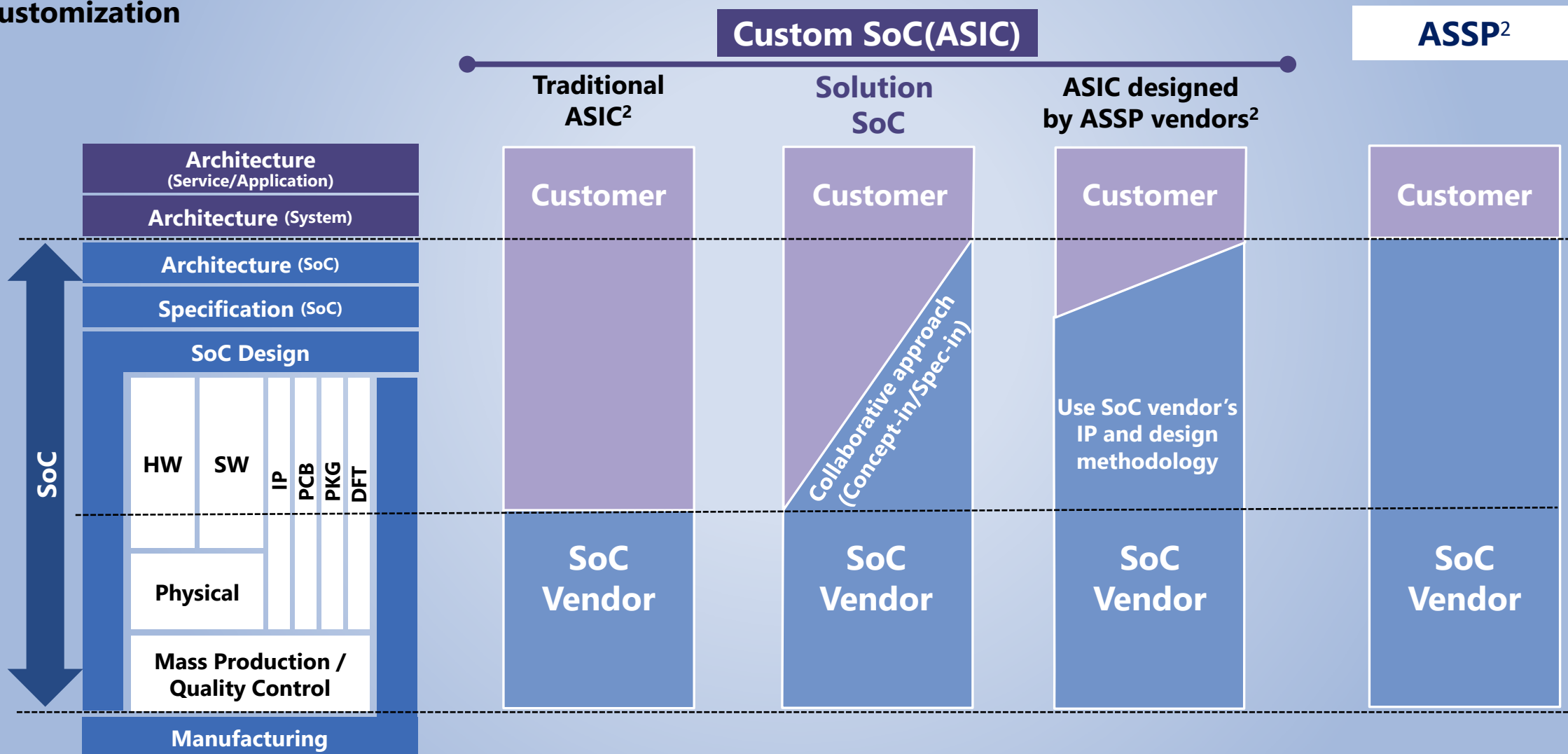
# Detail of Custom SoC and ASSP

- 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 )*



# Features of Solution SoC Business Model <sup>1</sup>

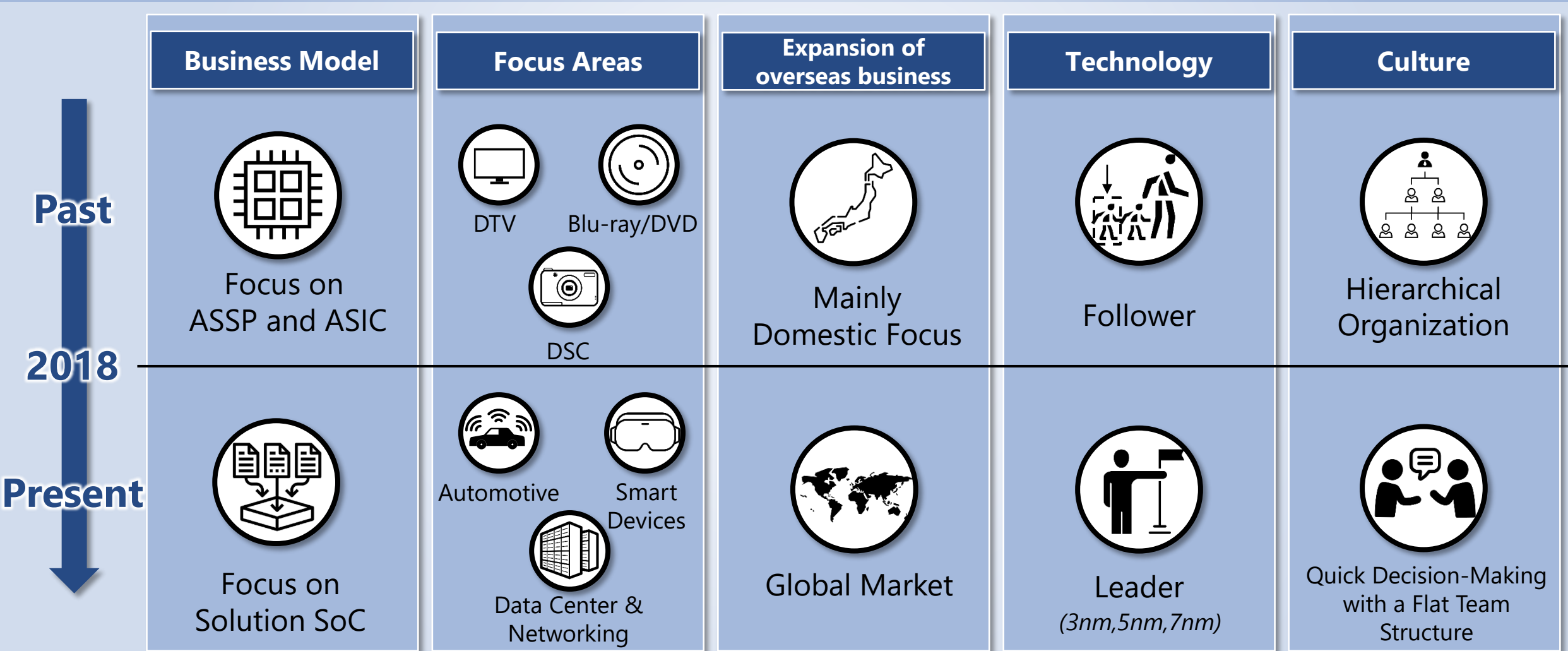
- The primary difference between “traditional ASIC”<sup>2</sup> and “Solution SoC” is how to interface with customers
- The primary difference between “Solution SoC” and “ASIC designed by ASSP vendors”<sup>2</sup> is the breadth of optional customization



1. This slide is an image based on the company's recognition.  
 2. This graphic provides an illustrative framework of the types of industry players based on the company's classifications.

# 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"





# The Image of Timeline from Design Win to Mass Production

## Illustrative Description of “Design Win Amount”

### “Design Win Amount<sup>1</sup>” . . .

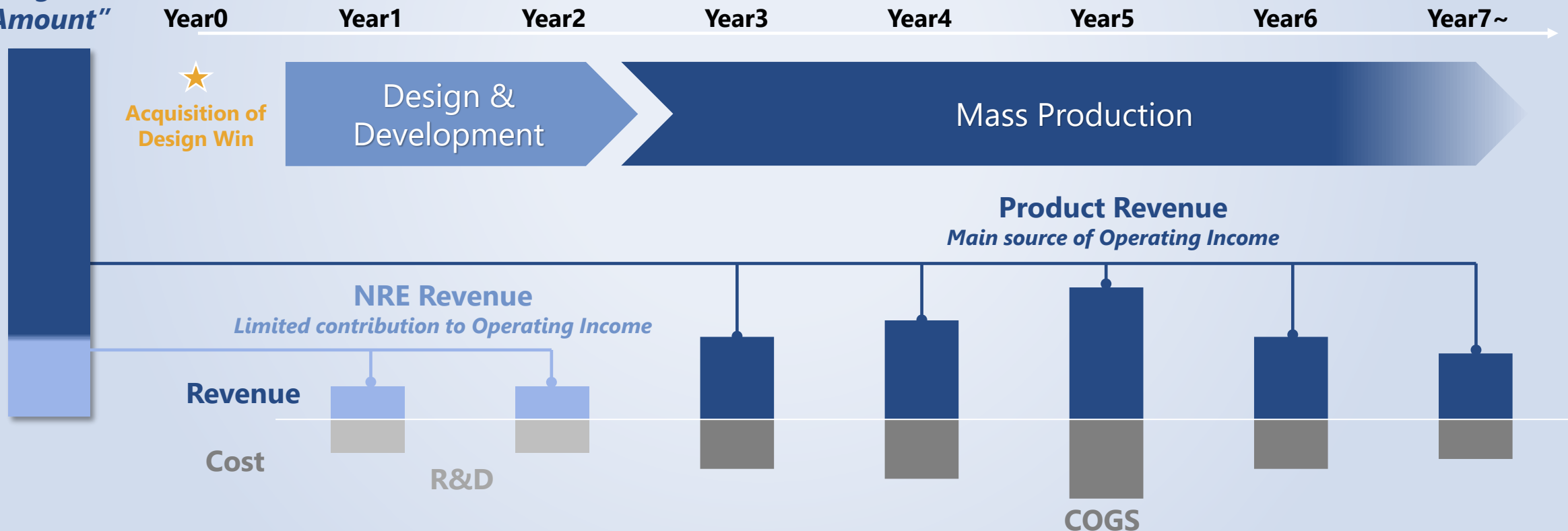
“Design Win Amount” represents estimate of the lifetime demand from design projects. “Design Win Amount” is divided into NRE-based and product-based amounts. “Design Win Amounts” are expected to contribute to product revenue once projects progress to the mass production stage of the project lifecycle.

“Design Win Amount” is calculated in accordance with prudent procedures as below

- Each “Design Win Amount” is estimated based on assumptions such as per-unit prices and estimated future product sales volumes, not on sales forecasts provided by customers<sup>1</sup>
- A foreign exchange assumption of 1USD=100JPY has been used

### Illustrative Timeline from Design Win to Mass Production<sup>2</sup>

“Design Win Amount”

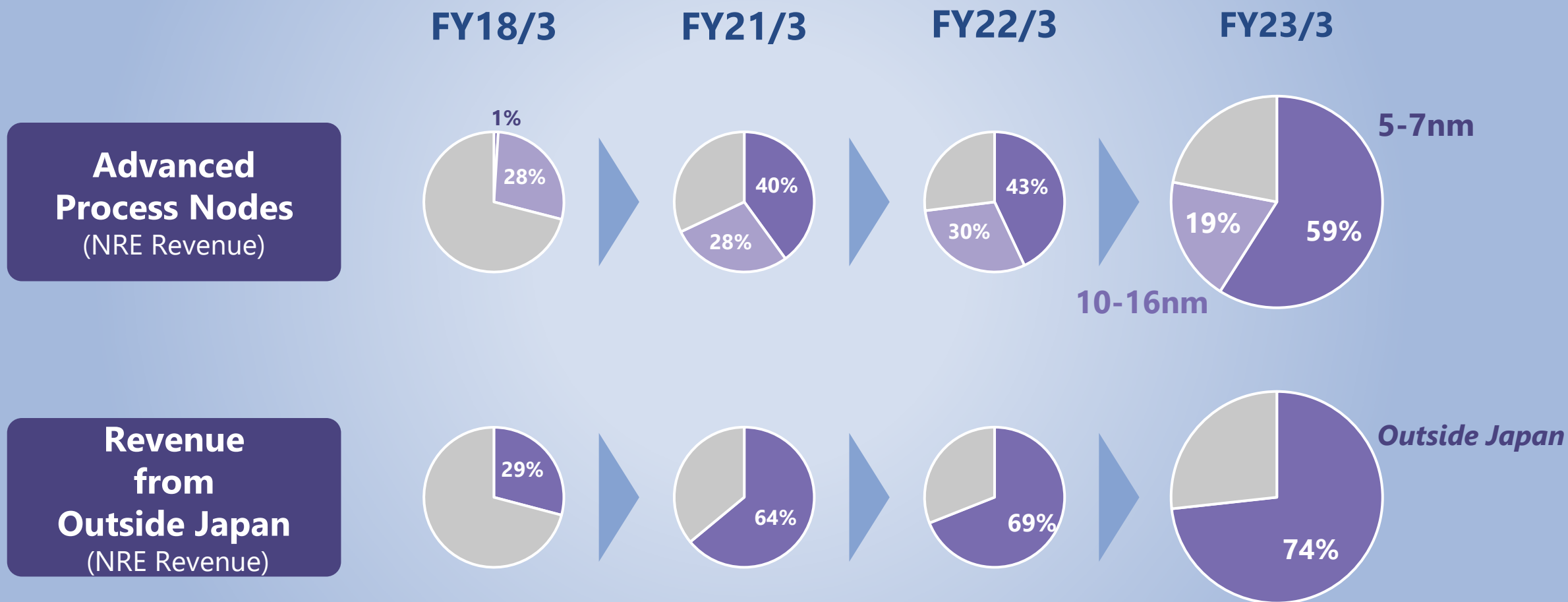


1. Refer to slide 43

2. For illustrative purposes only. The actual timeline of product development to mass production may differ materially based on the product and actual customer demand

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

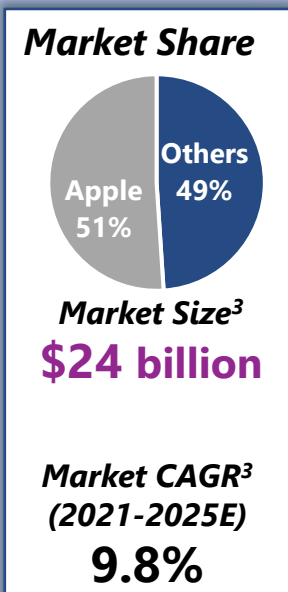
- Shift in NRE revenue composition illustrates the steady progress of business transformation



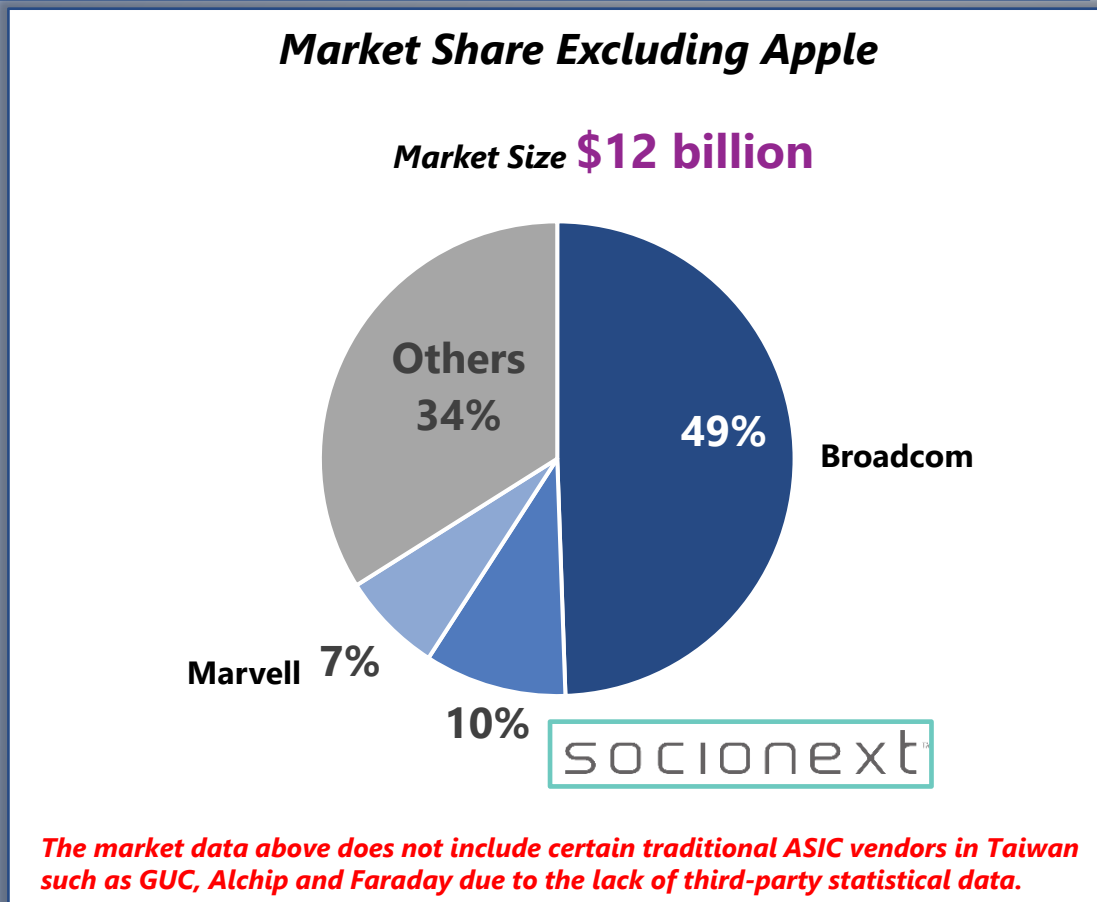
# Positioning of Socionext in Semiconductor Market

- With the exception of Apple, Socionext has the 2<sup>nd</sup> largest market share of 10% within the Custom SoC(ASIC)<sup>1</sup> market, where some players can design 7nm/5nm SoCs.

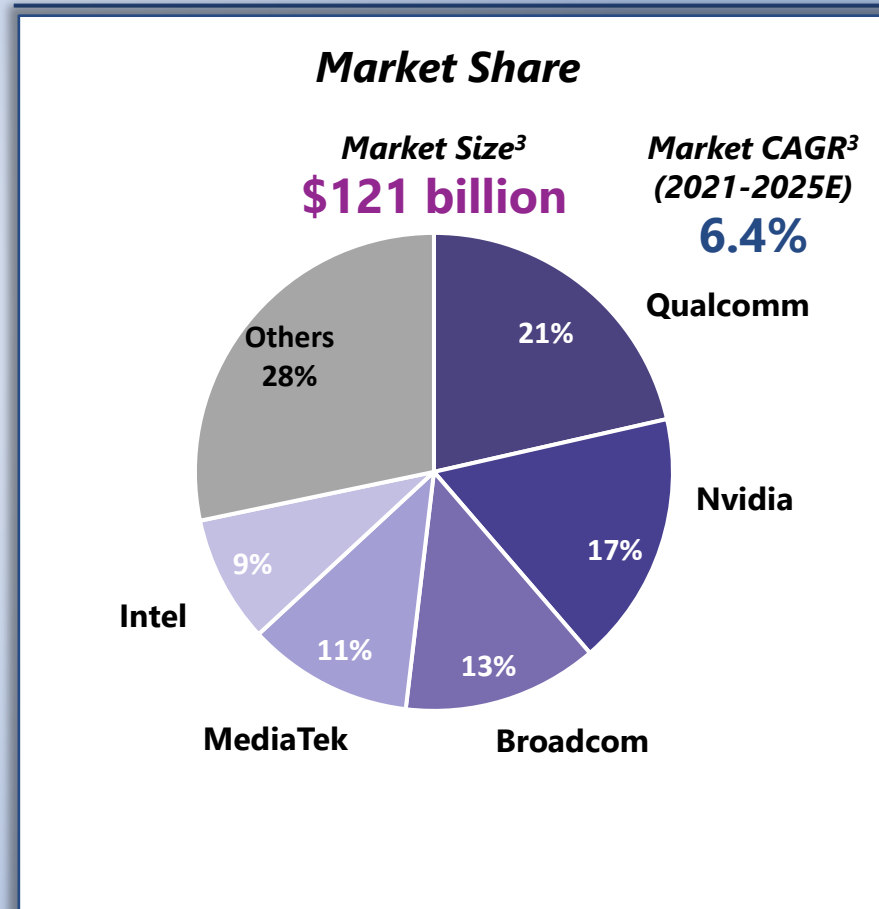
Custom SoC(ASIC)<sup>1</sup> Market Share<sup>2</sup> (2022)



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



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



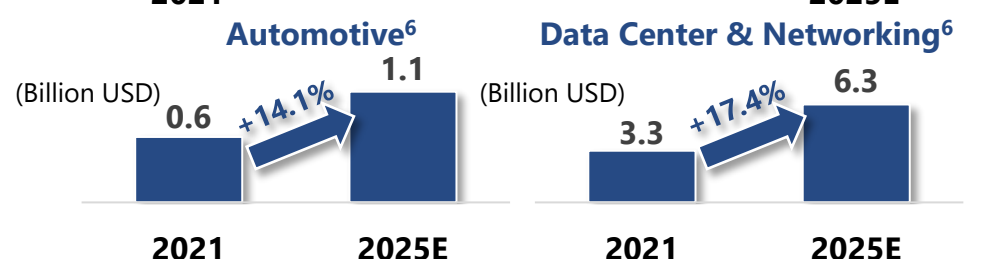
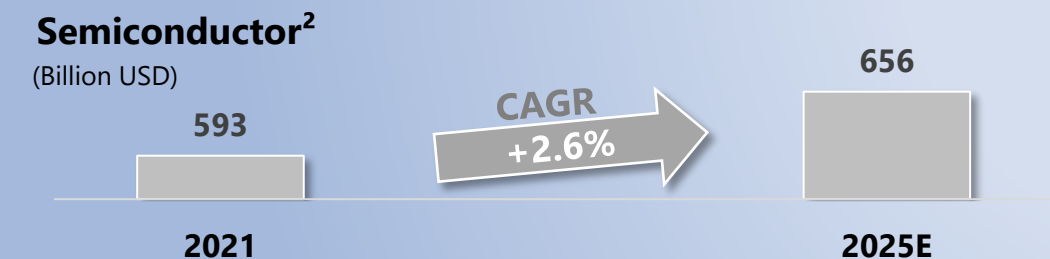
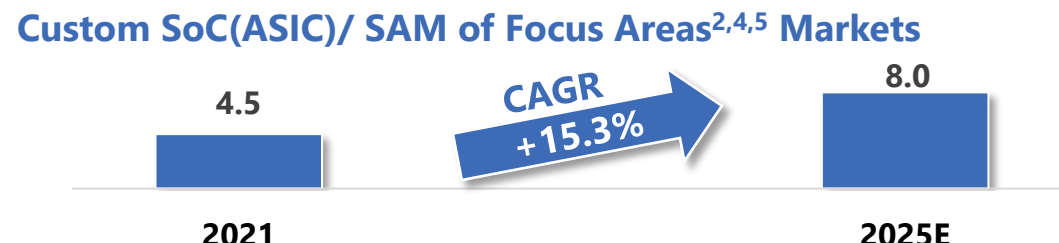
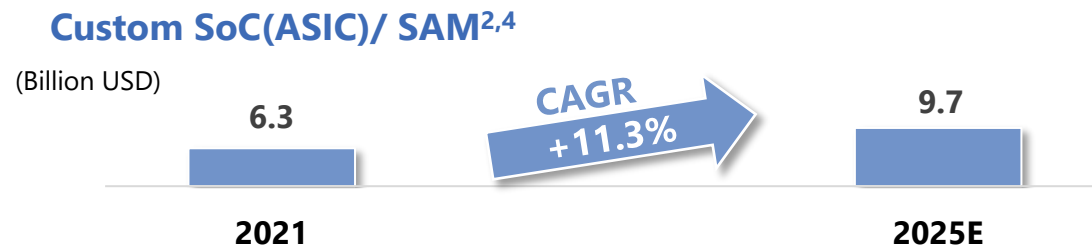
1. We define "ASSP" as the "Logic ASSP" segment based on Omdia "Application Market Forecast Tool-1Q 2023" classification and "Custom SoC(ASIC)" as "Logic ASIC" based on Omdia "Application Market Forecast Tool-1Q 2023". Omdia's classifications of the markets may differ in certain respects from our target markets. Classification are based on the company's recognition

2. These market data are estimated by Socionext based on Omdia data "Competitive Landscaping Tool CLT, Annual- 4Q22". All market sizes are calculated in terms of USD-based revenue

3. Calculated by Socionext based on Socionext internal information and Omdia "Application Market Forecast Tool-1Q 2023". Market CAGR(2021-2025E) is calculated (figure of 2025E / figure of 2021)^(1/4)-1

# Socionext Based on Growing Market

- Total global market size of focus areas is expected to grow at 15.3% CAGR<sup>1</sup>, higher than that of custom SoC (ASIC)
- Automotive custom<sup>3</sup> SoC(ASIC) market is expected to grow at 14.1% CAGR<sup>1</sup>



1. CAGR is calculated by  $(\text{figure of 2025E} / \text{figure of 2021})^{(1/4)} - 1$
2. Calculated by Socionext based on Omdia "Application Market Forecast Tool-1Q 2023". 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-1Q 2023".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 Networking", "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. SAM of Data Center and Networking 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"

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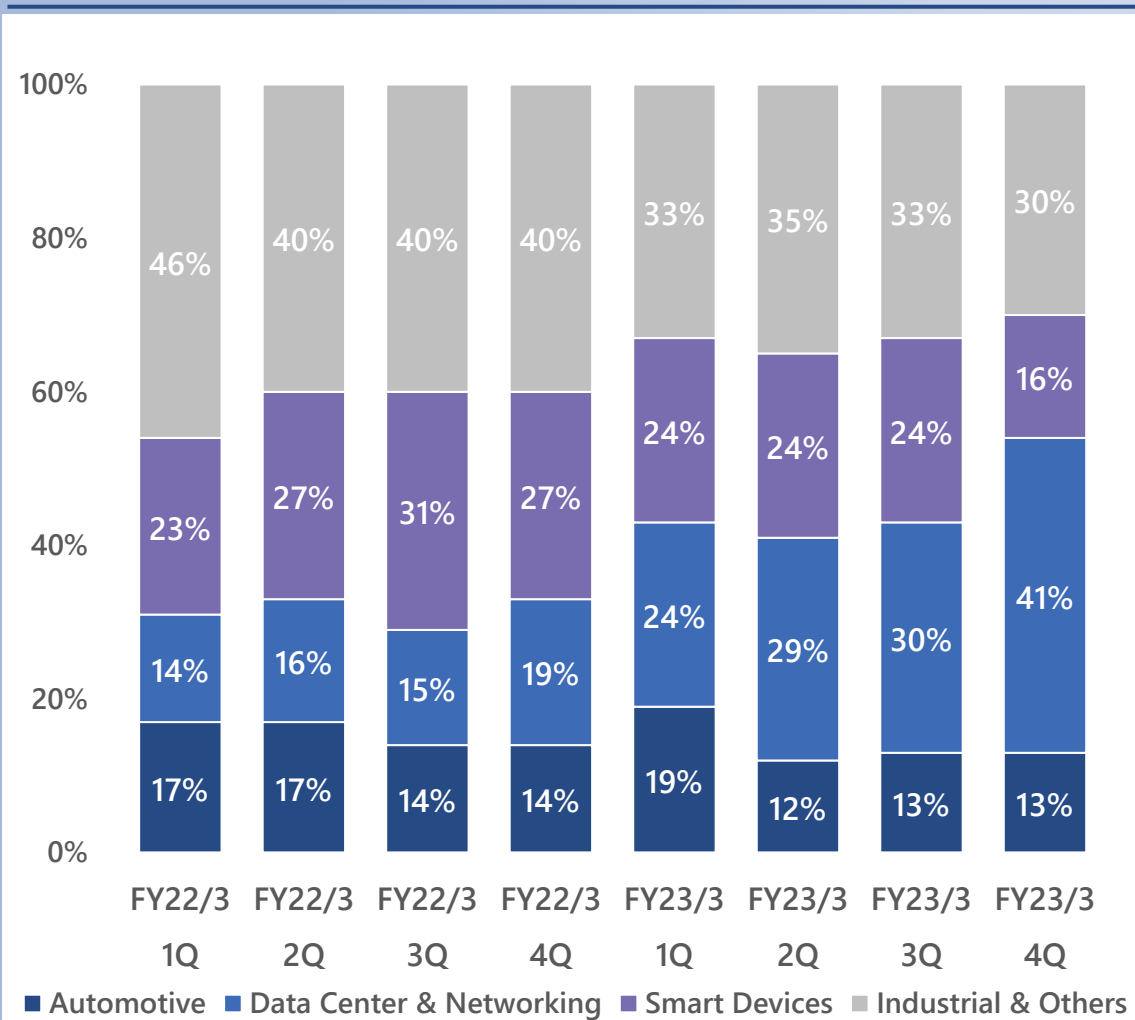
**Appendix:**

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

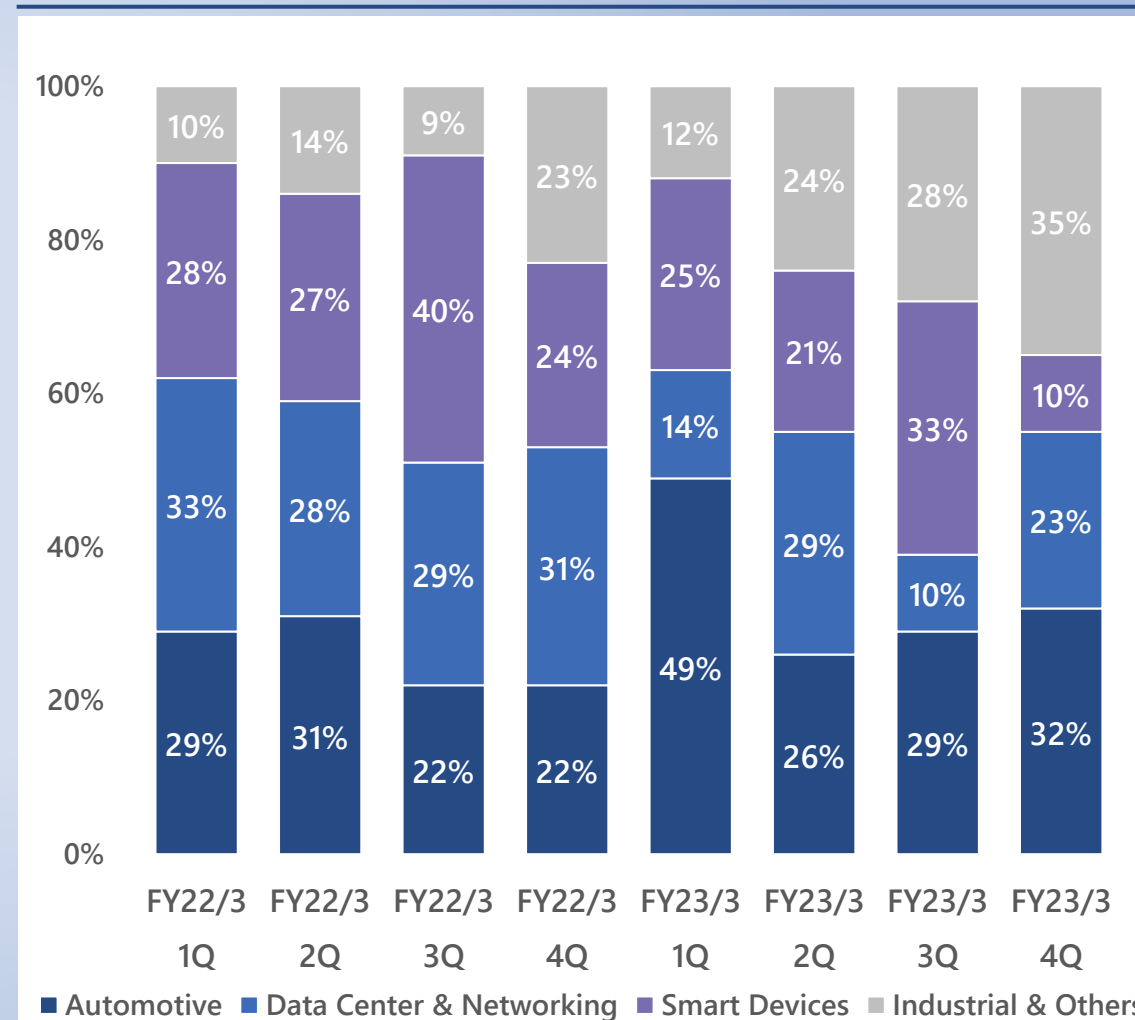


# Breakdown by Application Market (Quarterly Ratios<sup>1</sup>)

## Net Sales



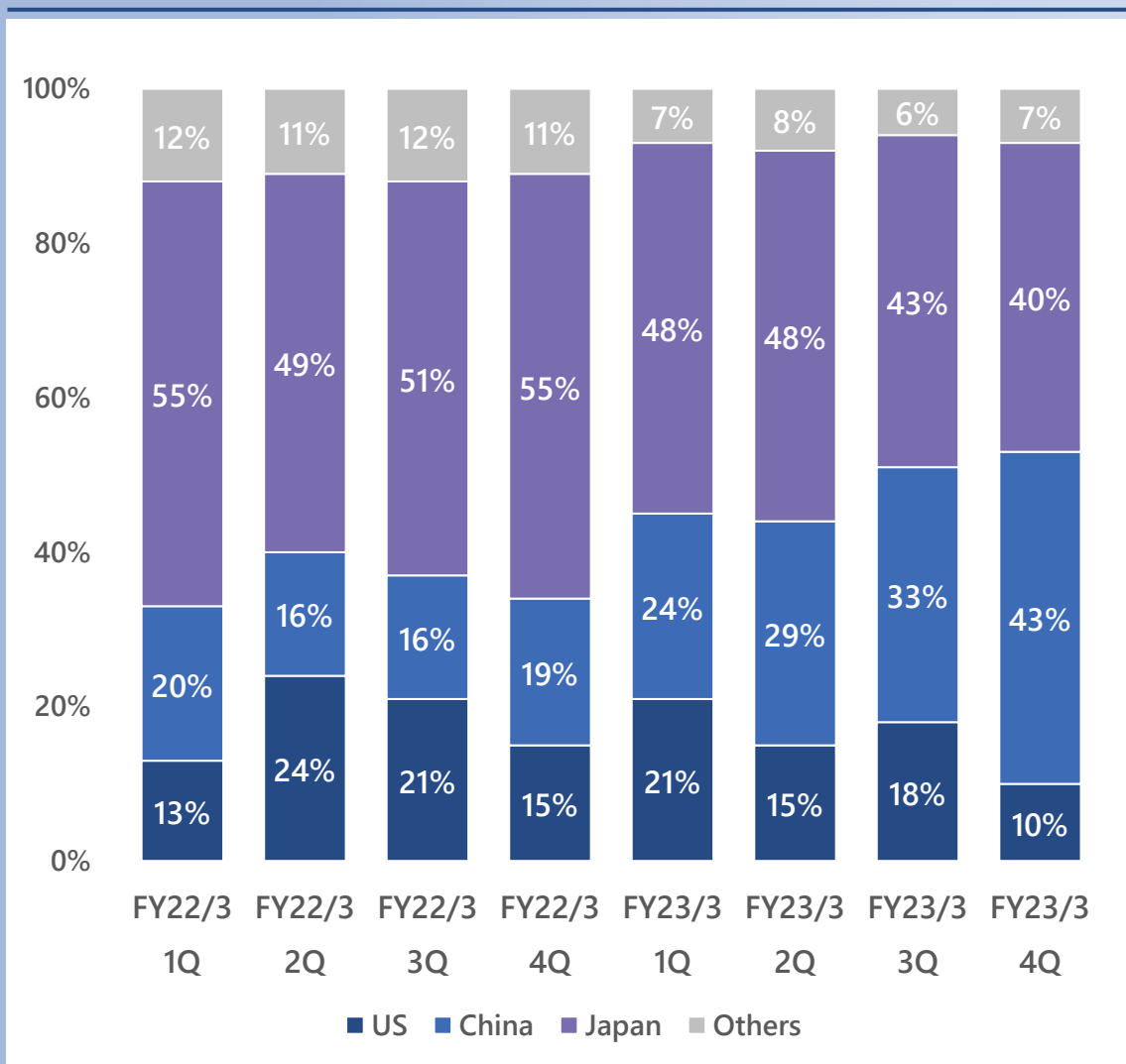
## NRE Revenue



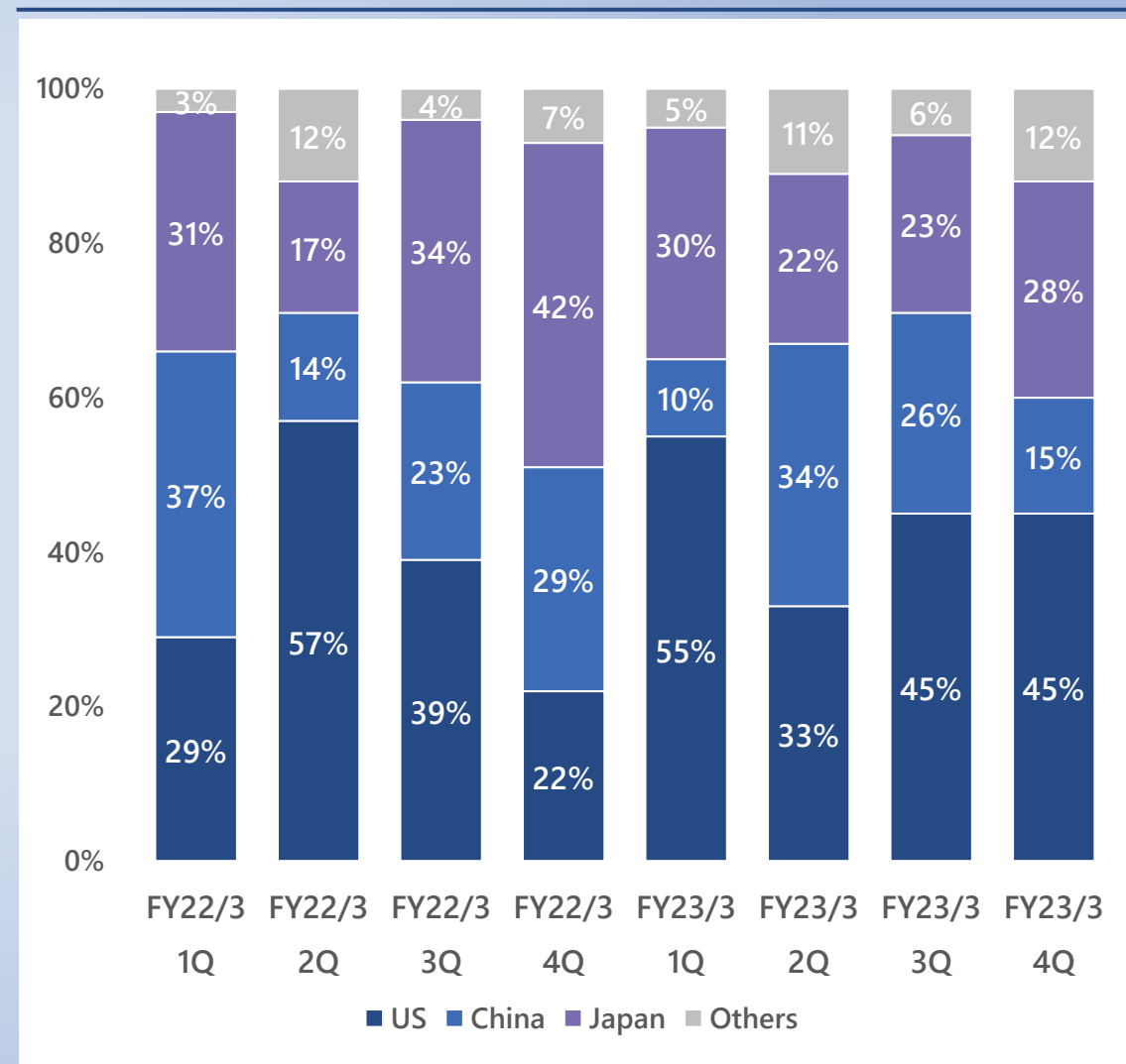
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

# Breakdown by Geographic Region (Quarterly Ratios<sup>1</sup>)

## Net Sales



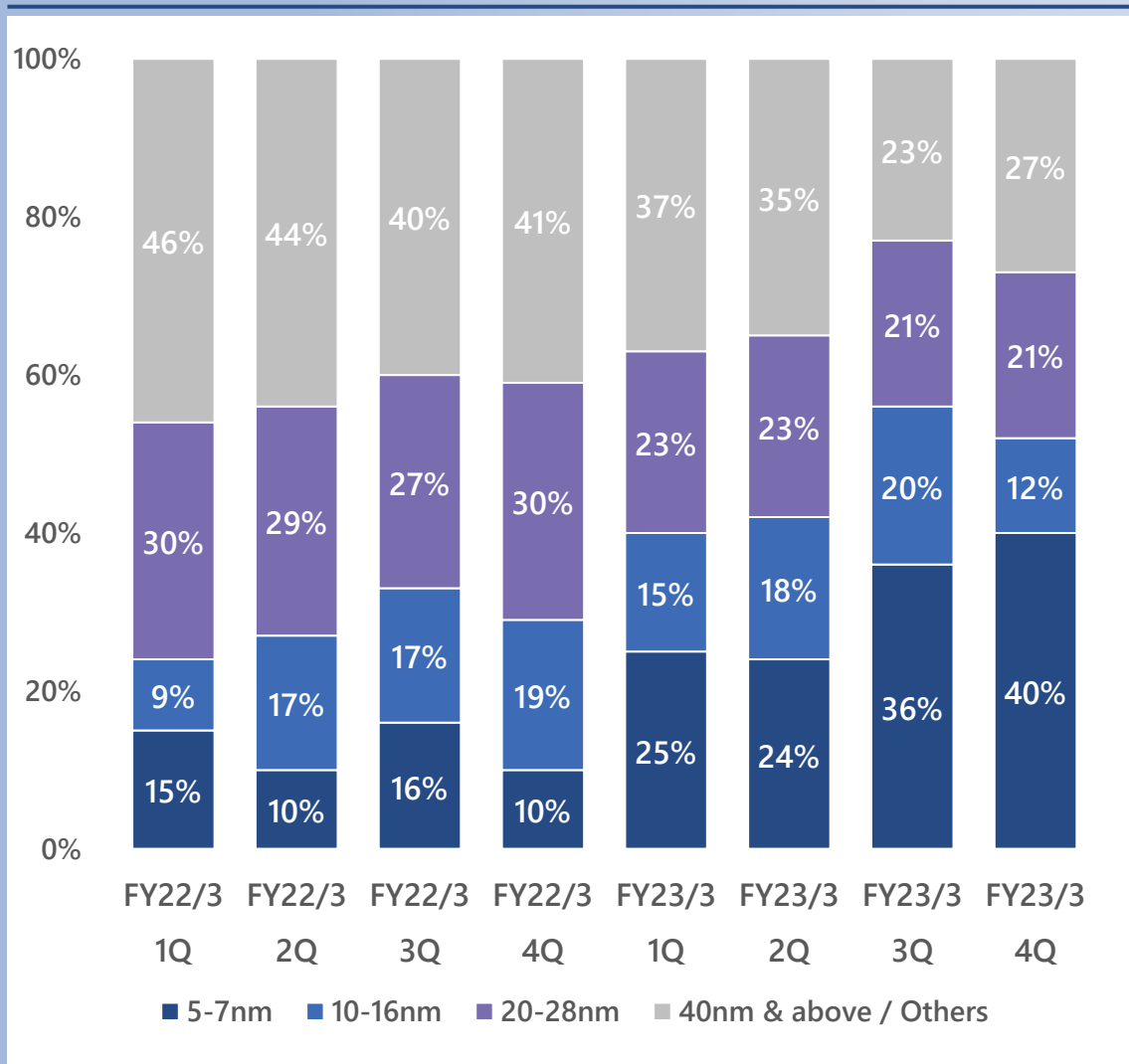
## NRE Revenue



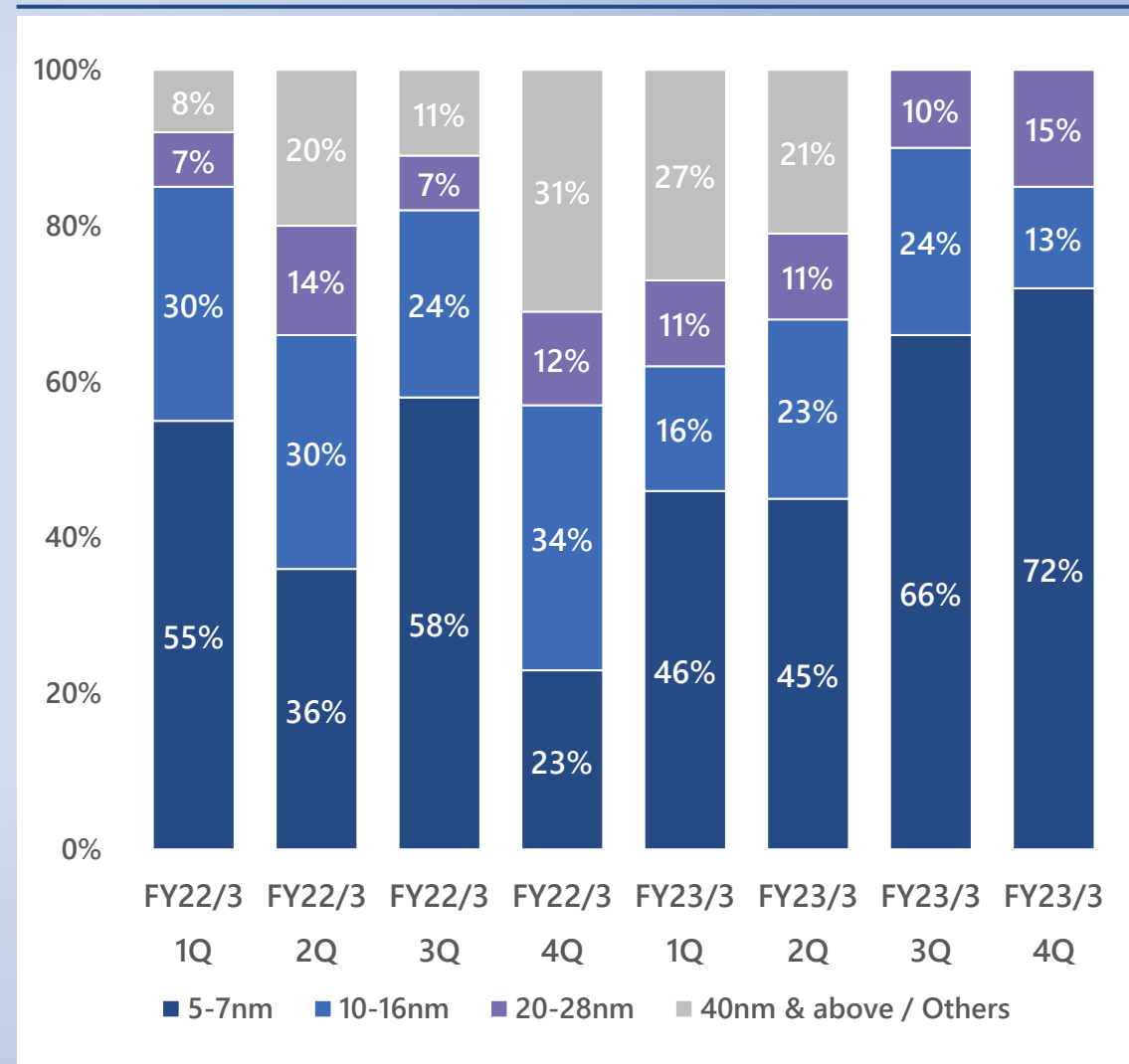
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

# Breakdown by Process Node (Quarterly Ratios<sup>1</sup>)

## Net Sales



## NRE Revenue



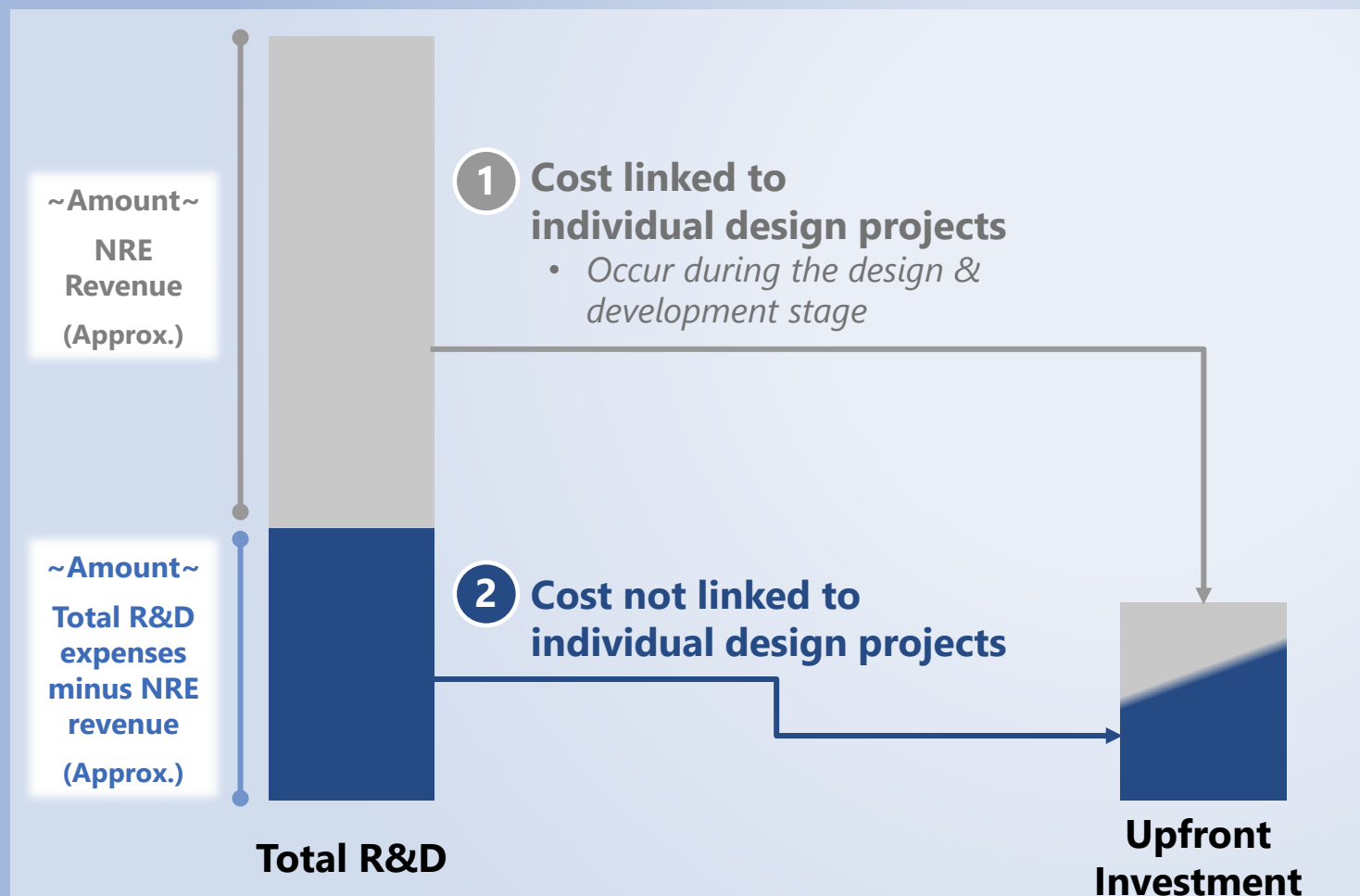
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.



# Upfront Investment toward Future Growth

- 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

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

The calculation of “Design Win Amount” and “Design Win Balance” involves a considerable degree of future estimation and subjective judgment, including assumptions regarding development plans, development costs, NRE revenues, per-unit prices and estimated future product sales volumes as well as the estimated lifespan and likelihood of cancellation of particular products. Product sales volumes are estimated based on preliminary customer indications of volume as well as our own projections made using historical customer transaction data, third-party market data and other factors while restrictions on the available manufacturing capacity for our products are not fully taken into account. We may change our calculation method for “Design Win Amount” and “Design Win Balance” and have done so in the past, and thus a direct period-to-period comparison may not be meaningful beyond describing general trends over an extended period. Design win information is calculated on a management accounting basis and is formulated and used internally for management’s assessment of business performance and strategic initiative planning. Due to our relatively short operating history under our new business model and the extended period of time before a design win contributes to our product revenue, we have limited financial data that can be used to evaluate our business and future prospects, and our management believes that our operating results in recent fiscal years may not be indicative of our future performance. We present design win information for reference purposes only. You should not place undue reliance on design win information presented herein. Please refer to page 42 of this presentation regarding certain risks associated with forward-looking statements.

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