

The Socionext logo is displayed in white lowercase letters on a dark blue background. The background of the slide features a dark blue arrow shape pointing right, which contains the logo, and a light blue gradient background to its right.

socionext™

1Q FY2024/3

Consolidated Financial Results

July 28, 2023
Socionext Inc.

Thank you all for taking time today.

This is Yutaka Yoneyama, Director and Corporate Executive Vice President of Socionext.

I would like to provide an overview of our financial results for the first Quarter of the fiscal year March 2024.

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

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

The calculation of “Design Win Amount” and “Design Win Balance” involves a considerable degree of future estimation and subjective judgment, including assumptions regarding development plans, development costs, NRE revenues, per-unit prices and estimated future product sales volumes as well as the estimated lifespan and likelihood of cancellation of particular products. Product sales volumes are estimated based on preliminary customer indications of volume as well as our own projections made using historical customer transaction data, third-party market data and other factors while restrictions on the available manufacturing capacity for our products are not fully taken into account. In connection with analyzing our net sales and determining our design win balance, we take into account whether any customer demand constitutes “special demand,” a term we use to refer to short-term customer demand resulting from stockpiling and other activities that do not reflect current underlying demand. We determine whether any given demand is special demand on a case-by-case basis at our own discretion based on our assessment of a variety of factors related to the demand in question. As a result, amounts that we identify as special demand may not be objectively accurate in light of such definition of “special demand.” We believe that it is appropriate to exclude such short-term “special demand” amounts from our design win balance because the design win balance is intended to serve as an index to evaluate and analyze our long-term revenue trends. In terms of our net sales, net sales that are attributable to “special demand” should be viewed as short-term inflated demand that may be front-loading longer-term demand, and thus such sales should be appropriately deemphasized when analyzing historical and future trends in our results of operations. We may change our calculation method for “Design Win Amount” and “Design Win Balance” and have done so in the past, and thus a direct period-to-period comparison may not be meaningful beyond describing general trends over an extended period. Design win information is calculated on a management accounting basis and is formulated and used internally for management’s assessment of business performance and strategic initiative planning. Due to our relatively short operating history under our new business model and the extended period of time before a design win contributes to our product revenue, we have limited financial data that can be used to evaluate our business and future prospects, and our management believes that our operating results in recent fiscal years may not be indicative of our future performance. We present design win information for reference purposes only. You should not place undue reliance on design win information presented herein. Please refer to page 2 of this presentation regarding certain risks associated with forward-looking statements.

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**Consolidated Financial Results
for the 3 Months Ended June 30, 2023**

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



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

(Yen in billions)

	FY23/3				FY24/3	YoY	YoY %
	1Q	2Q	3Q	4Q	1Q		
Net Sales	39.9	42.8	56.1	53.9	61.4	21.5	53.9%
Product Revenue	31.0	35.3	43.9	46.5	52.9	21.9	70.5%
NRE Revenue	8.7	7.4	11.5	7.3	8.4	-0.4	-4.0%
Others	0.2	0.2	0.6	0.2	0.1	0.0	-14.1%
Cost of Sales	19.9	22.1	31.8	30.2	34.5	14.6	73.7%
Selling, General and Administrative Expenses	14.5	15.9	18.0	18.8	16.8	2.4	16.3%
R&D	10.6	11.5	13.4	13.8	12.2	1.6	15.0%
SG&A (excluding R&D)	3.9	4.4	4.6	5.0	4.7	0.8	19.7%
Operating Income	5.6	4.9	6.3	5.0	10.1	4.5	80.7%
Margin	14.0%	11.4%	11.2%	9.2%	16.5%	+2.5%pt	
Profit	5.1	5.0	5.2	4.5	8.0	2.9	57.2%
Margin	12.7%	11.6%	9.3%	8.4%	12.9%	+0.2%pt	
FX Rate (USD/JPY)	129.6	138.4	141.6	132.3	137.4	7.8	

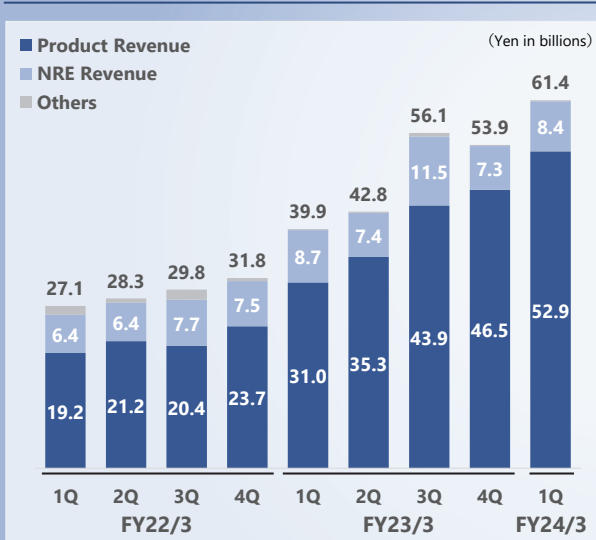
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Net sales were 61.4 billion yen, an increase of 53.9% from the same quarter of the previous fiscal year (the 3 months ended June 30, 2022).

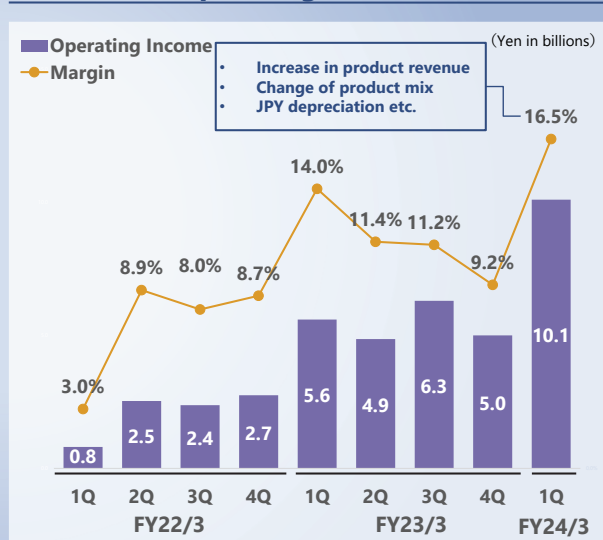
Operating income was 10.1 billion yen, an increase of 80.7% from the same quarter of the previous fiscal year (the 3 months ended June 30, 2022).

The factors for the increases of both net sales and operating income will be explained on following pages.

Net Sales¹



Operating Income¹



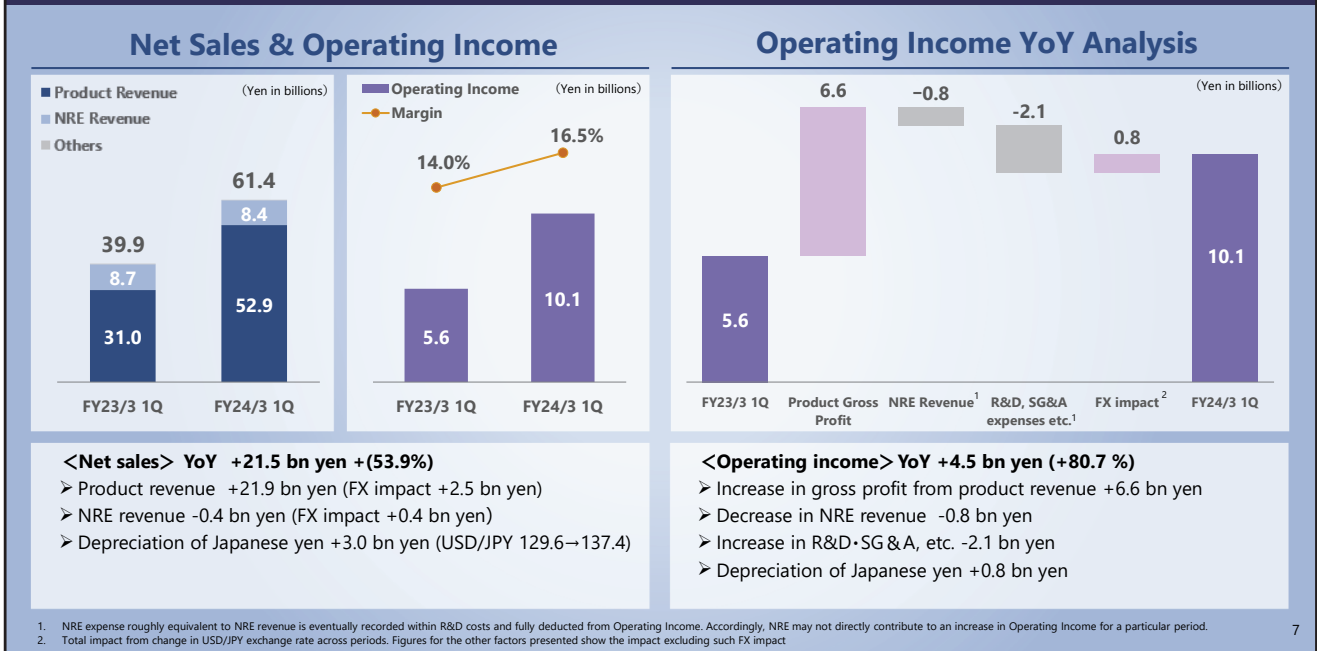
1. The quarterly ratios are highly volatile and may fluctuate significantly from quarter to quarter as they are greatly affected by the development status of individual projects.

This slide shows our historical net sales and operating income from the first quarter in FY22/3 to the first quarter in FY24/3.

Net sales increased because of the start of mass productions of large-scale design wins from FY20/3.

NRE revenue is a deliverable from design and development and fluctuates from quarter to quarter, but the YoY trend of NRE revenue remains upward due to large-scale design wins in the advanced technology area.

Operating income of the first quarter in FY24/3 increased significantly. Main factors of this improvement are (1) increase in product revenue including special demand, (2) change of product mix, and (3) depreciation of Japanese yen, etc.



This slide shows the analysis of net sales and operating income for the first quarter in FY24/3 compared with the same quarter in the previous fiscal year.

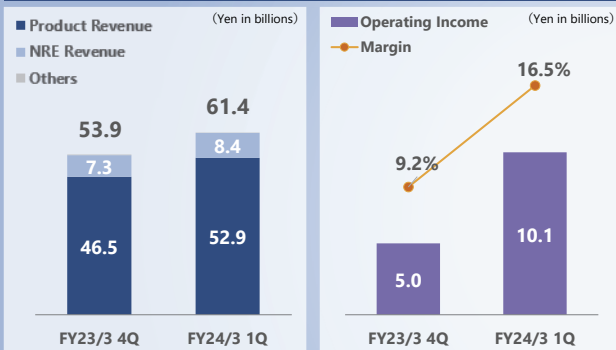
Net sales were 61.4 billion yen, an increase of 21.5 billion from the first quarter in the previous fiscal year.

Operating income was 10.1 billion yen, an increase of 4.5 billion yen from the first quarter in the previous fiscal year.

The main reason for the increase in net sales was the expansion of product revenue for Data Center & Networking (7nm) due to the start of full-scale mass production of large-scale design wins that we acquired in and after FY20/3.

NRE revenue slightly decreased by 0.8 billion yen, and R&D/SG&A expenses increased by 2.1 billion yen.

Net Sales & Operating Income



Operating Income QoQ Analysis



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

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

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

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

1. NRE expense roughly equivalent to NRE revenue is eventually recorded within R&D costs and fully deducted from Operating Income. Accordingly, NRE may not directly contribute to an increase in Operating Income for a particular period.
 2. Total impact from change in USD/JPY exchange rate across periods. Figures for the other factors presented show the impact excluding such FX impact

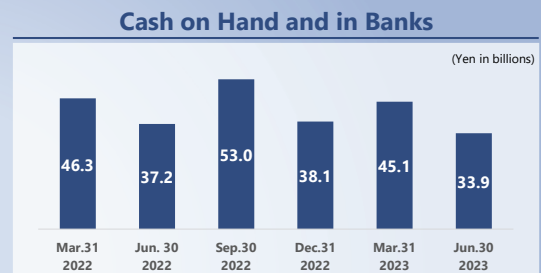
This slide shows the analysis of net sales and operating income for the first quarter in FY24/3 compared with the fourth quarter in the FY23/3.

Net sales increased by 7.5 billion yen and operating income increased by 5.1 billion yen.

Product revenue increased by 6.4 billion yen, and NRE revenue increased 1.1 billion yen. The depreciation of Japanese yen led to an increase of 1.9 billion yen.

Operating income increased by 5.1 billion yen. Factors include 1.6 billion yen increase in product gross profit and 2.1 billion yen decrease in R&D/SG&A expenses.

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



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

This slide shows the balance sheet.

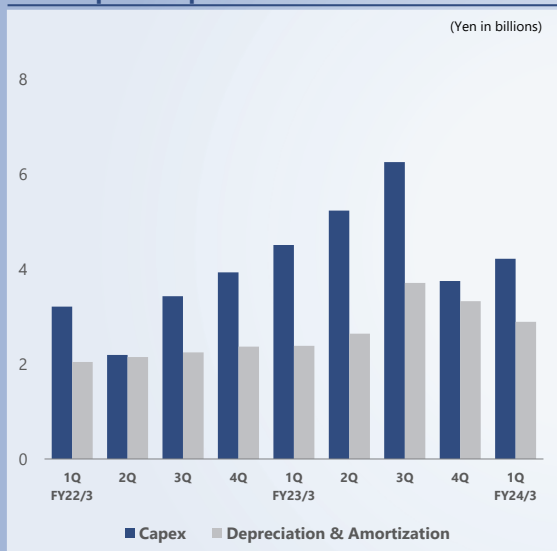
Total assets were 184.0 billion yen, a decrease of 9.9 billion yen, total liabilities were 68.6 billion yen, a decrease of 15.5 billion yen, and total net assets were 115.5 billion yen, a increase of 5.6 billion yen, from the end of the previous fiscal year, respectively.

The decrease in total assets is due mainly to a decrease in cash and cash equivalents and a decrease in inventories of wafers that were procured and distributed in advance by customer request.

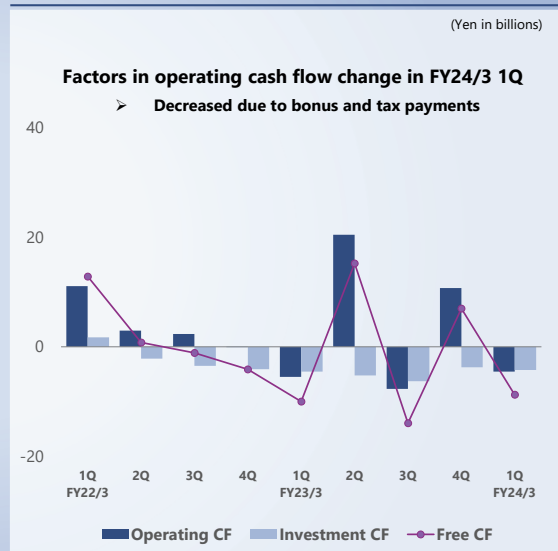
Cash on hand and in banks decreased because of tax and dividend payments in the quarter.

Inventories from the upfront procurement of wafers were peaked out between 3Q and 4Q of FY 23/3 and started to return to our regular inventory levels.

Capex¹-Depreciation & Amortization²



Cash Flow²

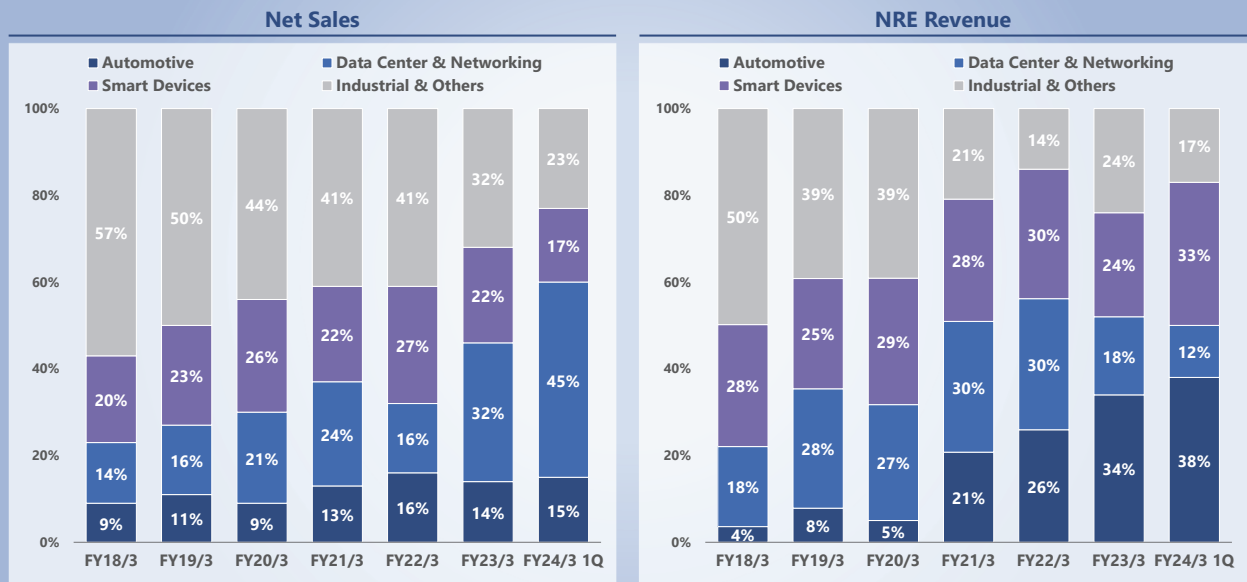


1. Capex: Purchases of PP&E + purchase of intangible assets
 2. Quarterly financial results of FY 22/3 are unaudited and unreviewed by external auditors

This slide explains about Capital expenditures and Cash flow.

In the first quarter in FY24/3, capex for reticles has increased because of new business opportunities for advanced technology products. The level of depreciation & amortization would increase as capex increases with the business growth. However, the amount of depreciation & amortization decreased compared to third and fourth quarter in FY23/3, which accelerated depreciation & amortization of IP and reticle as a one-time expense occurred.

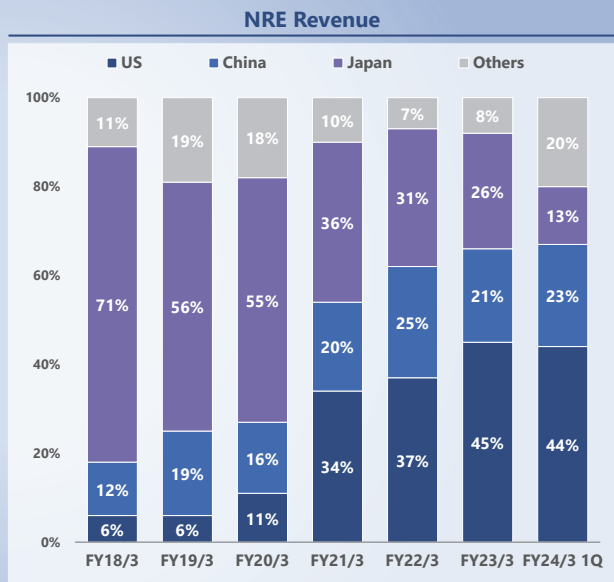
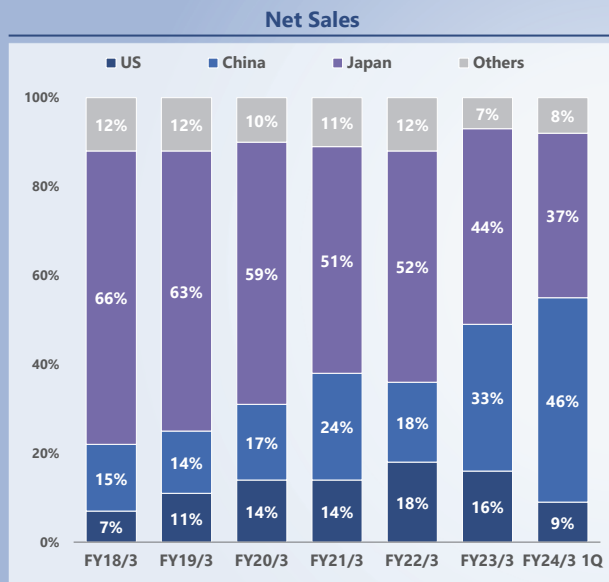
Free cash flow in the first quarter in FY24/3 was negative due to tax payment in addition to capex. We had a same trend in the previous fiscal year.



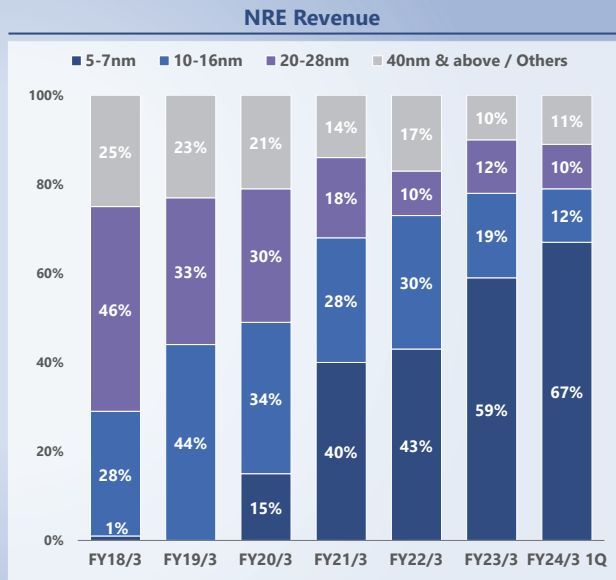
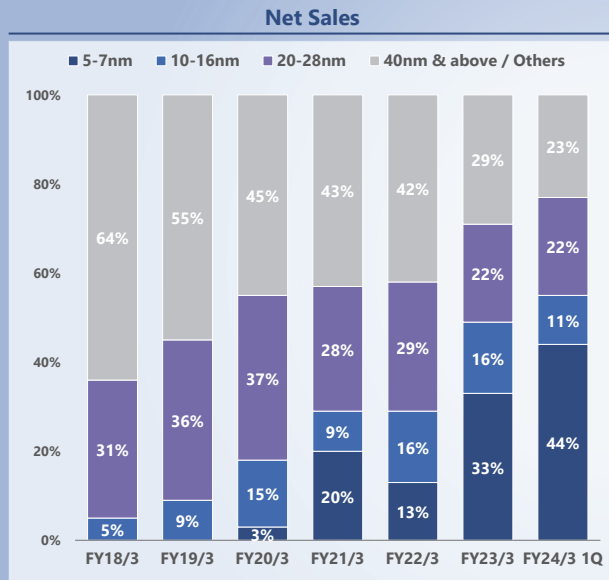
This slide shows the breakdown of historical net sales and NRE revenue from FY18/3.

In the first quarter of FY24/3, the proportion of Data Center & Networking increased while net sales for Automotive and Smart Devices increased with the start of mass production for large-scale design wins from FY 20/3.

NRE revenue for Automotive performed well and expanded its proportion in NRE revenue.



Both net sales and NRE revenue have shifted from Japan to overseas regions such as the United States and China.



Both net sales and NRE revenue are significantly shifting to advanced technology nodes, 5nm and 7nm.

(Yen in billions)

	FY2023/3 Full Year Results	FY2024/3 Full Year Forecast as of April 2023 ¹	YoY	YoY %
Net Sales	192.8	200.0	7.2	3.8%
Operating Income	21.7	22.5	0.8	3.6%
Margin	11.3%	11.3%	0.0%pt	
Profit	19.8	17.5	-2.3	-11.5%
Margin	10.3%	8.8%	-1.5%pt	
Basic Earnings per Share¹	587.02yen	504.55yen		
Dividends per Share	210.00yen	210.00yen		
FX Rate (USD/JPY)	135.5yen	115.0yen		

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

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

No changes have been made to the forecast.

The situation is within our initial assumptions except for the impact of foreign exchange.

	FY21/3	FY22/3	Mid-Term Target ¹	FY23/3 Results
Net Sales Growth	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%

1. The mid-term targets presented herein represent our plans and expectations as of September 2022. These mid-term targets are forward-looking statements, are subject to significant business, economic, regulatory and competitive uncertainties and contingencies, many of which are beyond the control of the Company, and are based upon assumptions with respect to future decisions, which are subject to change. Actual results may vary and those variations may be material due to a number of factors. Nothing in this presentation should be regarded as a representation by any person that these targets will be achieved, and the Company undertakes no duty to update these targets as circumstances change.

We are aiming for total net sales growth of high teen % CAGR, and operating income margins of low-to-mid teen %, as our mid-term targets. Based on the results for the FY23/3 and our forecast for the FY24/3, we believe we are currently on track to meet these targets. We will continue to work on to achieve the targets.

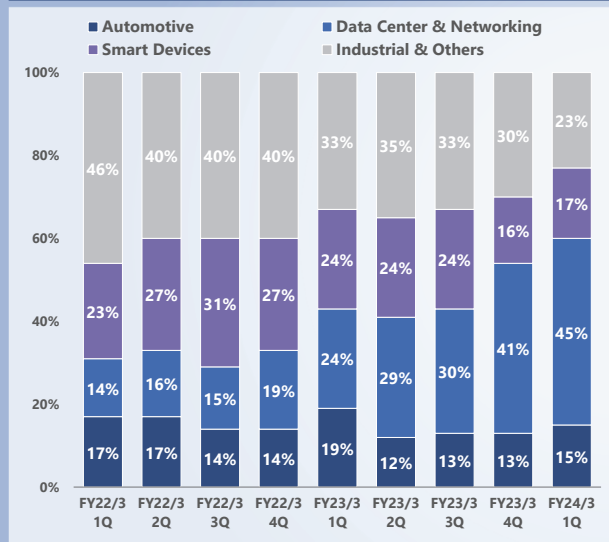
Appendix:

Overview

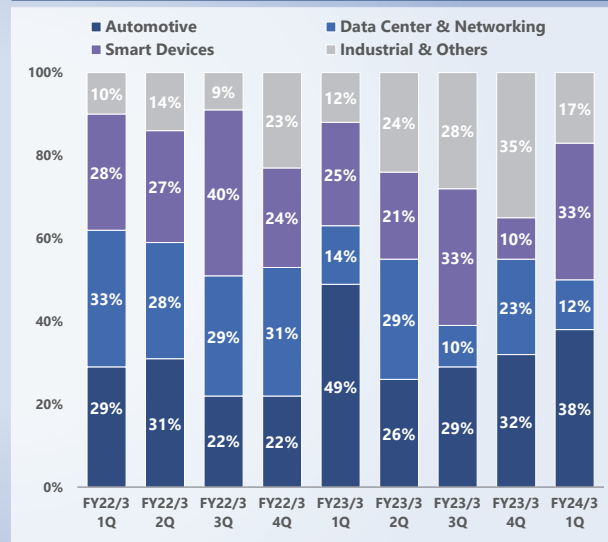
- *Breakdown of Net Sales (Quarterly)*
- *Design Win Illustrative Description*
- *Follow-on Transaction Summary*



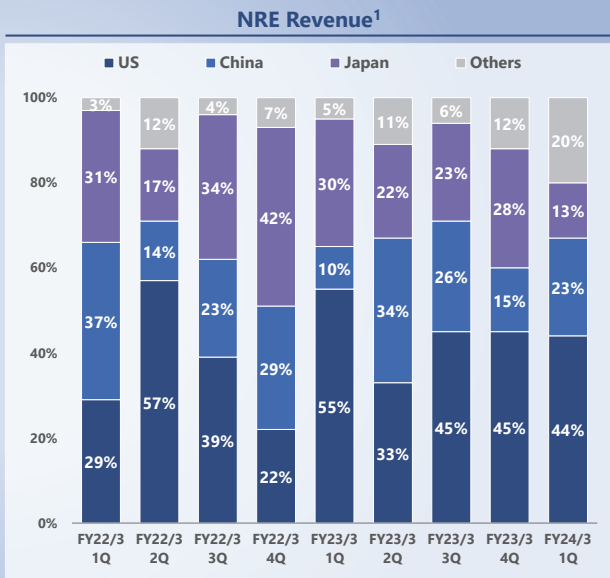
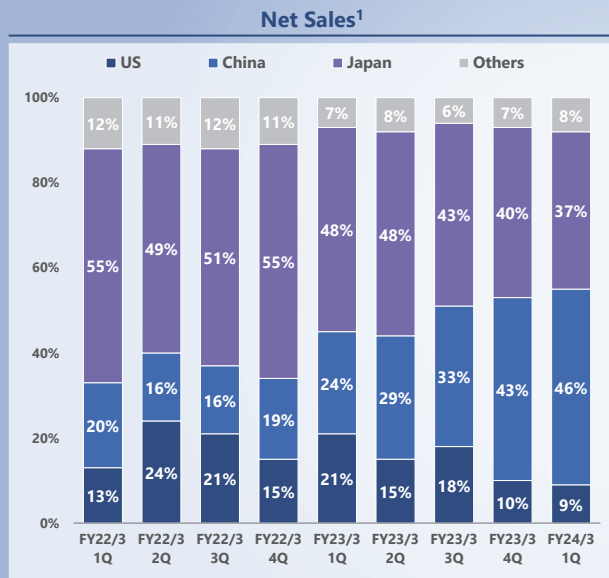
Net Sales¹



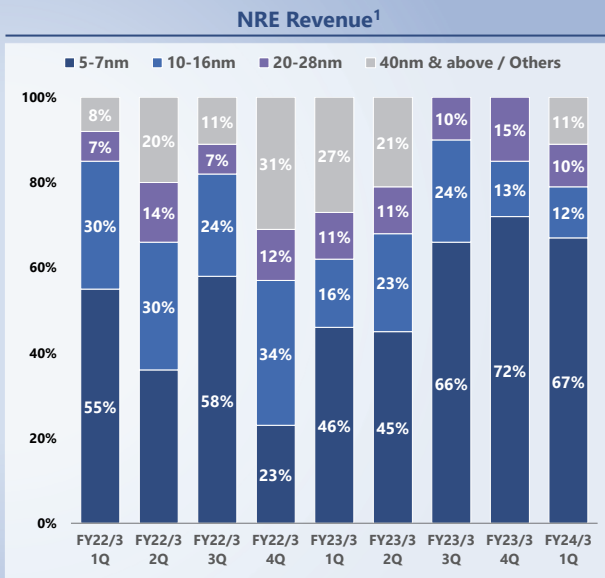
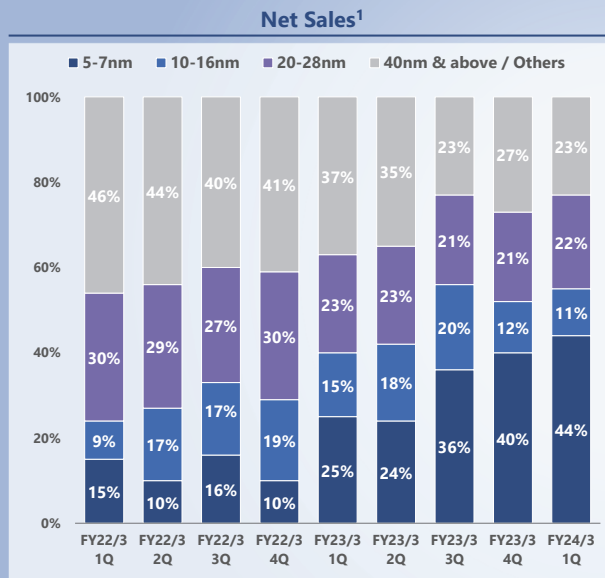
NRE Revenue¹



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.



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

"Design Win Balance"¹ . . .

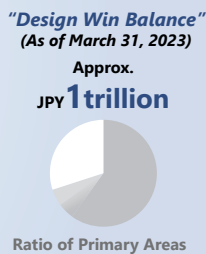
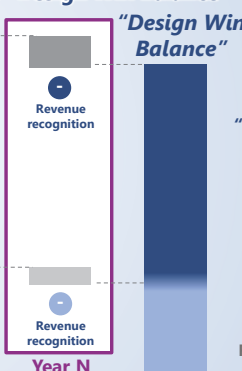
"Design win balance" (LTR; Life Time Revenue) represents our estimates of remaining accumulated "design win amount" that is associated with projects that are active as of a particular date. Design win balance thus reflects certain subsequent developments after the end of the period in which such design win was acquired. "Design Win Balance" is regularly managed in accordance with prudent procedures to account for future risks.

"Design Win Amount" calculated from "Design Win Balance"¹



Image of Change in "Design Win Balance"²

■ Product Revenue
■ NRE Revenue



1. "Design win balance" represents our estimates of remaining accumulated "design win amount" that is associated with projects that are active as of a particular date. "Design win balance" thus reflects certain subsequent developments after the end of the period in which such design win was acquired up until the relevant balance date, including (1) recognition of revenue relating to such projects or any other subsequent changes in the development process, estimated sales volumes, unit prices, available manufacturing capacity or other factors that occur, which could either increase or decrease "design win balance" and (2) any subsequent cancellation of projects. For example, certain projects in our primary areas reflected in the "design win amount" for FY21/3 and FY22/3 suffered from subsequent cancellations that accounted for more than 15% and 20%, respectively, of the relevant "design win amount" shown in the graph above. However, the "design win amount" corresponding to subsequent project cancellations for FY18/3, FY19/3, FY20/3, and FY21/3 were more than offset by the effects of increases in actual or newly estimated unit prices or volumes with respect to some of the projects compared to our original expectations, and thus the retrospective "design win" amounts for such years after taking these subsequent effects into consideration would show a modest increase compared to the amounts depicted above. There have been no significant subsequent cancellations regarding the design win amount for the fiscal year ended March 31, 2023, although there can be no assurance that cancellations will not occur in the future with respect to design win amounts for such fiscal year or any prior fiscal year. A foreign exchange assumption of \$1=¥100 has been used. Also refer to page 3

2. For illustrative purposes only

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

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

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