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# Annual Securities Report

(Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act)

Fiscal year (The Tenth Business Period) From April 1, 2023 to March 31, 2024

## Socionext Inc.

2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa

(E37978)

# Contents

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## Part I Company Information

## I Overview of Socionext Group

### 1 Key Financial Data

(1) Consolidated financial data

| Fiscal year | | 7th business period | 8th business period | 9th business period | 10th business period |
|---|---|---|---|---|---|
| Year end | | March 2021 | March 2022 | March 2023 | March 2024 |
| Net sales | (Million yen) | 99,746 | 117,009 | 192,767 | 221,246 |
| Ordinary income | (Million yen) | 1,969 | 9,050 | 23,440 | 37,122 |
| Profit attributable to owners of parent | (Million yen) | 1,469 | 7,480 | 19,763 | 26,134 |
| Comprehensive income | (Million yen) | 1,843 | 8,040 | 20,255 | 27,334 |
| Net assets | (Million yen) | 81,676 | 89,609 | 109,864 | 131,020 |
| Total assets | (Million yen) | 104,235 | 118,428 | 193,945 | 186,840 |
| Net assets per share | (yen) | 484.51 | 532.26 | 652.59 | 732.76 |
| Basic earnings per share | (yen) | 8.73 | 44.44 | 117.40 | 148.39 |
| Diluted earnings per share | (yen) | - | - | 111.49 | 144.80 |
| Shareholders’ equity ratio | (%) | 78.25 | 75.66 | 56.64 | 70.12 |
| Return on equity | (%) | 1.82 | 8.74 | 19.82 | 21.70 |
| Price-earnings ratio | (Times) | - | - | 16.58 | 28.57 |
| Cash flows from operating activities | (Million yen) | 10,704 | 16,355 | 18,019 | 52,882 |
| Cash flows from investing activities | (Million yen) | (1,453) | (7,938) | (19,725) | (23,155) |
| Cash flows from financing activities | (Million yen) | (410) | (458) | (333) | (6,624) |
| Cash and cash equivalents at the end of the fiscal year | (Million yen) | 37,665 | 46,271 | 45,136 | 69,738 |
| Number of employees | (persons) | 2,626 | 2,569 | 2,526 | 2,534 |

Note: 1 The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the Type A shares and Type B shares on September 6, 2022, and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company cancelled all the Type A shares and Type B shares. Net assets per share, basic earnings per share and diluted earnings per share are computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the seventh business period.

2 The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. Net assets per share, basic earnings per share and diluted earnings per share are computed based on the assumption that the stock split was conducted at the beginning of the seventh business period.

3 Diluted earnings per share for the seventh and eighth business periods are not presented because the Company’s shares were unlisted and therefore an average quoted stock price is not available although there are dilutive shares.

4 As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, diluted earnings per share for the ninth business period is computed by deeming the average stock price during the period from the listing date to the end of the ninth business period to be the average stock price during the fiscal year.

5 Price-earnings ratios for the seventh and eighth business periods are not presented as the Company’s shares were unlisted.

6 The consolidated financial statements for the seventh business period and beyond of Socionext Inc. (the “Company”) were prepared in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976), and were audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

7 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Socionext Group but including those on secondment from outside the Socionext Group). The number of

temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.

8 The Company has adopted the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the eighth business period. Key financial data for the eighth business period and beyond reflect these accounting standards.

(2) Financial data of reporting company

| Fiscal year | | 6th business period | 7th business period | 8th business period | 9th business period | 10th business period |
|---|---|---|---|---|---|---|
| Year end | | March 2020 | March 2021 | March 2022 | March 2023 | March 2024 |
| Net sales | (Million yen) | 102,680 | 99,161 | 116,096 | 191,830 | 220,245 |
| Ordinary income | (Million yen) | 2,278 | 1,921 | 7,775 | 21,393 | 36,649 |
| Profit | (Million yen) | 2,183 | 1,597 | 6,489 | 18,078 | 26,311 |
| Common stock | (Million yen) | 30,200 | 30,200 | 30,200 | 30,200 | 32,656 |
| Total number of issued shares | (shares) | 120,800,000 | 120,800,000 | 120,800,000 | 33,666,666 | 178,687,405 |
| Common stock | (shares) | 60,000,000 | 60,000,000 | 60,000,000 | 33,666,666 | 178,687,405 |
| Type A shares | (shares) | 40,000,000 | 40,000,000 | 40,000,000 | - | - |
| Type B shares | (shares) | 20,800,000 | 20,800,000 | 20,800,000 | - | - |
| Net assets | (Million yen) | 77,185 | 78,782 | 85,272 | 103,351 | 123,485 |
| Total assets | (Million yen) | 94,381 | 99,234 | 112,223 | 184,664 | 173,962 |
| Net assets per share | (yen) | 458.45 | 467.94 | 506.50 | 613.90 | 690.60 |
| Amount of dividend per share | (yen) | - | - | - | 210.00 | - |
| (Of which, interim dividend per share) | (yen) | (-) | (-) | (-) | (-) | (115.00) |
| (Of which, year-end dividend per share) | (yen) | (-) | (-) | (-) | (210.00) | (25.00) |
| Basic earnings per share | (yen) | 12.97 | 9.49 | 38.55 | 107.40 | 149.40 |
| Diluted earnings per share | (yen) | - | - | - | 101.99 | 145.79 |
| Shareholders’ equity ratio | (%) | 81.77 | 79.38 | 75.97 | 55.96 | 70.98 |
| Return on equity | (%) | 2.87 | 2.05 | 7.91 | 19.17 | 23.20 |
| Price-earnings ratio | (Times) | - | - | - | 18.12 | 28.38 |
| Dividend payout ratio | (%) | - | - | - | 39.11 | 32.13 |
| Number of employees | (persons) | 2,190 | 2,216 | 2,191 | 2,167 | 2,168 |
| Total shareholder return | (%) | - | - | - | - | 222.5 |
| (Benchmark: TOPIX Net Total Return Index) | (%) | (-) | (-) | (-) | (-) | (187.9) |
| Highest stock price | (yen) | - | - | - | 10,520 | 5,666<br>(28,330) |
| Lowest stock price | (yen) | - | - | - | 3,690 | 1,762<br>(8,810) |

Note:
1. As the Company did not distribute dividends for the sixth through eighth business periods, the dividend per share and dividend payout ratio are not provided.
2. The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the Type A shares and Type B shares on September 6, 2022, and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company cancelled all the Type A shares and Type B shares. Net assets per share, basic earnings per share and diluted earnings per share are computed based on the assumption that the share consolidation and other events above were conducted at the beginning of the sixth business period.
3. The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. Net assets per share, basic earnings per share, diluted earnings per share and total shareholder return are computed based on the assumption that the stock split was conducted at the beginning of the sixth business period.
4. Diluted earnings per share for the sixth through eighth business periods are not presented because the Company’s shares were unlisted and therefore an average quoted stock price is not available, although there are dilutive shares.
5. As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, diluted earnings per share for the ninth business period is computed by deeming the average stock price during the period from the listing date to the end of the ninth business period to be the average stock price during the fiscal year.

6 Dividend per share and year-end dividend per share for the ninth business period and interim dividend per share for the tenth business period are the actual dividend amounts prior to the stock split. The amount of dividend per share for the tenth business period is indicated as "-," taking the stock split into consideration.
7 Price-earnings ratios for the sixth through eighth business periods are not presented as the Company's shares were unlisted.
8 The financial statements for the seventh business period and beyond of the Company were prepared in accordance with the "Regulation on Terminology, Forms, and Preparation Methods of Financial Statements" (Ministry of Finance Order No. 59 of 1963), and were audited by Ernst & Young ShinNihon LLC in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
Respective financial data for the sixth business period are presented in accordance with the "Regulation on Corporate Accounting" (Ministry of Justice Order No. 13 of 2006). In addition, the financial data for each respective period was not audited by Ernst & Young ShinNihon LLC in accordance with the provisions set forth in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.
9 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.
10 The Company has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and other standards from the beginning of the eighth business period. Key financial data for the eighth business period and beyond reflect these accounting standards.
11 As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, total shareholder return and benchmark information for the sixth through ninth business periods are not presented.
12 The highest and lowest stock prices reflect Tokyo Stock Exchange Prime Market quotations. As the Company was listed on the Exchange as of October 12, 2022, stock prices prior to that date are not presented.
13 The highest and lowest stock prices for the tenth business period are shown after the stock split, and the highest and lowest stock prices before the stock split are shown in parentheses.

## 2 History

Socionext Inc. (the "Company") commenced business operations in March 2015, integrating the SoC (Note 1) businesses of Fujitsu Limited and Panasonic Corporation (currently Panasonic Holdings Corporation), with funding from Development Bank of Japan Inc.

| Month and year | Event |
|---|---|
| September 2014 | Socionext Inc. established as a preparation company. |
| March 2015 | Commenced operations by integrating the SoC businesses of Fujitsu Semiconductor Ltd. and Panasonic Corporation (currently Panasonic Holdings Corporation) through a demerger of the two companies. |
| January 2016 | Socionext America Inc., a subsidiary of the Company, acquired all shares of Bayside Design Inc. |
| April 2016 | The Taiwan branch of Socionext Technology Pacific Asia Ltd. incorporated to establish Socionext Taiwan Inc. |
| August 2017 | Concluded an investment agreement with XVTEC Ltd. (Note 2) to acquire its common stock (an affiliate accounted for by the equity method). |
| April 2018 | Bayside Design Inc. merged into Socionext America Inc., a subsidiary of the Company, through absorption-type merger. |
| April 2018 onward | Designated the Custom SoC business based on the Solution SoC business model for customers seeking unique SoCs for service/product differentiation as a focus business, and sequentially shifted and strengthened resources in the sales and development divisions. |
| January 2019 | Sold all shares of Socionext Embedded Software Austria GmbH to another company. |
| March 2021 | Terminated and dissolved the joint venture, Socionext Global Platform Inc. |
| May 2021 | Consolidated the four separate development sites in the Kyoto area into one, located within Kyoto Research Park (Shimogyo-ku, Kyoto). |
| March 2022 | Transitioned to a company with Audit & Supervisory Committee. |
| October 2022 | Listed on the Tokyo Stock Exchange Prime Market. |
| November 2022 | Set up Taiwan branch to establish global production and procurement system |
| August 2023 | Opened a design and development facility in Bengaluru, India as a branch of Socionext America Inc. |

Note: 1 SoC stands for System on Chip. A semiconductor chip in which some or all of the functions necessary for the operation of a device or system are mounted in one piece.

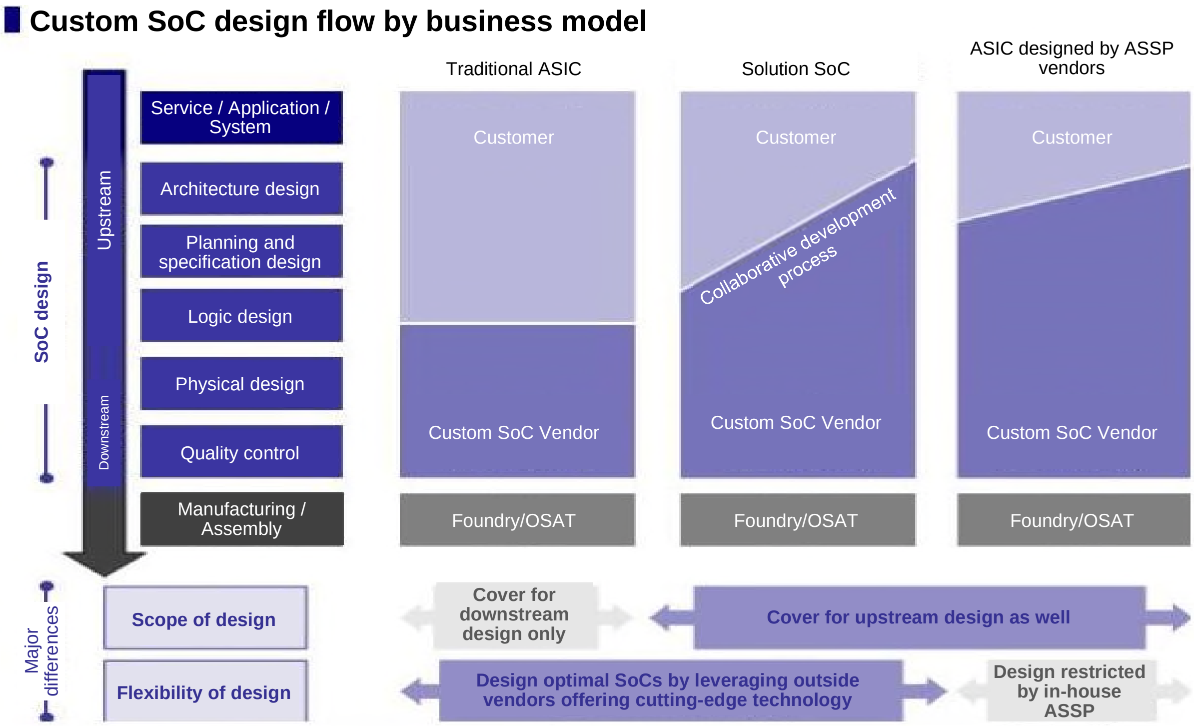
Note: 2 We transferred all shares of XVTEC Ltd. in August 2021 and terminated capital and personnel relationships with the company.

3 Description of Business

The Group ("the Group," "the Company," "we" and "our" refer to Socionext Inc., and its consolidated subsidiaries) is a fabless semiconductor vendor that develops and supplies custom SoCs to customers based on a new and unique business model called "Solution SoC" in the logic semiconductor market. SoC stands for System on Chip, signifying that the functions necessary for the operation of a device or system are implemented on a single chip (semiconductor). Among these SoCs, the Group prioritizes its focus on custom SoCs designed specifically for individual customers. As a partner to customers requiring unique, advanced SoCs to differentiate their new services and products, and in collaboration with suppliers providing the latest technologies, spanning from IP (*1), EDA (*2) tools and software to wafer processing, assembly and testing, we aim to deliver new value not only to our customers but also to people around the world, thereby creating a prosperous society.

In the past, the Group developed businesses centered on conventional ASICs (*3), solely managing the physical design based on SoC specifications provided by customers, and ASSPs (*4), which specialize in functions and purposes within a limited range of fields and applications. Since the fiscal year ended March 31, 2019, in addition to conventional ASICs and ASSPs, we have worked together with customers seeking differentiation in their products to formulate specifications and conduct logical designs. This transitioned us to a business model that combines advanced technologies to deliver optimal SoCs for customers. Our business now centers on custom SoCs based on this "Solution SoC" business model.

There are three primary business models for custom SoCs. First, in conventional ASICs, the upstream designs of the SoCs, including architecture design, planning and specification design, as well as logical design, are undertaken by customers themselves. The subsequent processes are then handled by external custom SoC vendors. Therefore, this limits the use of conventional ASICs to customers who have the ability to perform upstream design themselves. On the other hand, the Group's Solution SoC business model facilitates collaborative engagement in these upstream designs with its customers, enabling the provision of products to customers who may lack the capability to undertake such upstream designs. In addition, in the model that provides ASICs designed by an ASSP vendor, customization is restricted due to the ASSP being tailored according to the vendor's own specifications. Simultaneously, customers are cautious about potential vendor lock-in (*5). In contrast, the Solution SoC business model also leverages the most advanced technology provided by external vendors to optimize the SoC for customers while avoiding vendor lock-in.




In recent years, advancements in semiconductor manufacturing technology, coupled with the widespread use and integration of various innovative technologies such as networks, clouds, and artificial intelligence (AI) leveraging these advancements, have given rise to a wave of novel services and products, including autonomous driving and augmented reality (AR)/virtual reality (VR). Companies developing these services and products need high-performance, scalable SoCs of their own, leveraging advanced technologies to differentiate their services and products.

Meanwhile, in the semiconductor industry, companies specializing in process technology (*6), packaging technology (*7), and test technology, alongside IP, EDA tools, and software, have emerged. Constantly evolving cutting-edge technologies are transforming the industry into an ecosystem where access to such technologies is readily available in the market. However, the challenge of selecting and integrating those diverse technologies to design and develop optimal SoCs for customers is becoming more intense.

As a result, many companies requiring their own SoCs are seeking a partner with expertise not only in SoC architecture but also a deep understanding of the final products and services the SoC will be equipped with. The ideal partner should be capable of integrating advanced hardware and software technologies to deliver the optimal solution for differentiation.

In the evolving market landscape, the Group stands out with its design and development capabilities, encompassing software, as well as engineering resources that enable collaborative resolution of technical issues with customers. Additionally, the Group possesses strengths, including comprehensive capabilities to ensure mass production, quality assurance, and supply chain management (SCM). Hence, we have developed "Solution SoC" as a business model that enables us to deliver a tailored SoC that better suits our customers. This involves a collaborative development process, where the SoC specifications are determined jointly with the customer who find conventional ASICs, ASSPs, and ASICs designed by ASSP vendors unsatisfactory. While we accumulate experience and expertise in emerging cutting-edge markets, we proactively invested in developing advanced technologies and exploring and demonstrating various technology combinations for differentiation to enhance our competitiveness. Furthermore, we transitioned to a streamlined R&D system, eliminating barriers across business units, consolidating them based on development functions, and subsequently allocating necessary resources to each project. In April 2023 we established the Global Leading Group as an organization dedicated to building an R&D platform through model projects undertaken in areas involving large-scale advanced technology. We have been promoting measures for integrating several key activities: establishing a computer-architecture-based design and development platform along with standard design and development processes that are suitable for our Solution SoC business model, and enhancing both the efficiency and visibility of these processes, along with reforms in terms of design and development management. As a result, the percentage of NRE revenue (*8) accounted for by projects utilizing advanced process nodes (an indicator of the generation of semiconductor manufacturing technology (the semiconductor process); 1 nanometer (1 nm) is equivalent to one millionth of a millimeter, and the smaller the number of nanometers, the more advanced the technology) of 7 nm or smaller increased from 1% in the fiscal year ended March 31, 2018, to 71% in the fiscal year ended March 31, 2024.

In addition to transforming our business model, we have achieved a significant shift in our focus areas, transitioning from consumer-centric areas such as TVs to cutting-edge areas, specifically Automotive, Data Center & Networking, and Smart Devices.

The Group's focus areas are cutting-edge fields such as Automotive including AD (Autonomous Driving)/ADAS (Advanced Driver Assistance System) and in-vehicle sensing, Data Center & Networking including data centers and mobile base stations, and Smart Devices including action cameras and network cameras, etc. In the field of Industrial Equipment such as factory automation (FA) equipment and measuring instruments, demand for the use of cutting-edge technology and Solution SoC business model tends to expand, and we will position Industrial Equipment as a focus area for the Group. In addition to these focused areas, we are also developing our business in the field of IoT & Radar Sensing such as radio frequency ranging sensors, which is a unique technology and expected to grow in the future.

Following customer decision to adopt semiconductor products, the process of initiating mass production typically requires a considerable amount of time. It usually takes more than 2 years from the acquisition of design wins through completing design development and customer evaluation, to initiate mass production. The mass production phase also spans a considerable period of time. For this reason, as a company responsible for the long-term development and supply of customers' core components, we operate with a strong financial foundation (70.1% shareholders' equity ratio and 69.7 billion yen of cash on hand and in banks at the end of the fiscal year ended March 31, 2024).

At the design and development stage, the Group receives the majority of design and development costs from customers as NRE revenue in scheduled milestones. During the mass production stage, it receives product revenue, which constitutes most of the Group's total sales. Moreover, to capitalize on the increasing horizontal division of labor within the semiconductor industry, the Group has adopted a fabless business configuration, operating without its own factories. Production is outsourced to specialized manufacturers such as Taiwan Semiconductor Manufacturing Company Limited (hereafter referred to as "TSMC") and other foundries and OSATs (*9).

Customers' cutting-edge products and services consistently drive the need for new SoCs, and the demands of customers and markets for such advanced SoCs evolve continuously. To swiftly adapt to this change, the Group will forge ahead with upfront development investments and enhance its development capabilities, with the aim of achieving sustainable growth.

*1 IP stands for intellectual property. In the semiconductor industry, IP refers to circuit information organized into partial functional units that make up a semiconductor. It is divided into procurement IP, which is purchased from outside, and in-house IP, which is developed internally.

2 EDA stands for electronic design automation, referring to software and tools designed to automate tasks in semiconductor design.

3 ASIC stands for application specific integrated circuit, which is a collective term for integrated circuits that combine multiple functions tailored for specific customer needs.

4 ASSP stands for application specific standard product, referring to large-scale integrated circuits with specialized functions or purposes in a limited field/application. An ASSP is a general-purpose component that is not customized for a specific customer, making it applicable to multiple customers.

5 Vendor lock-in means that once you adopt a product or service offered by a specific vendor, it becomes difficult to switch to a superior product or service offered by another vendor in the future, thereby limiting your choices.

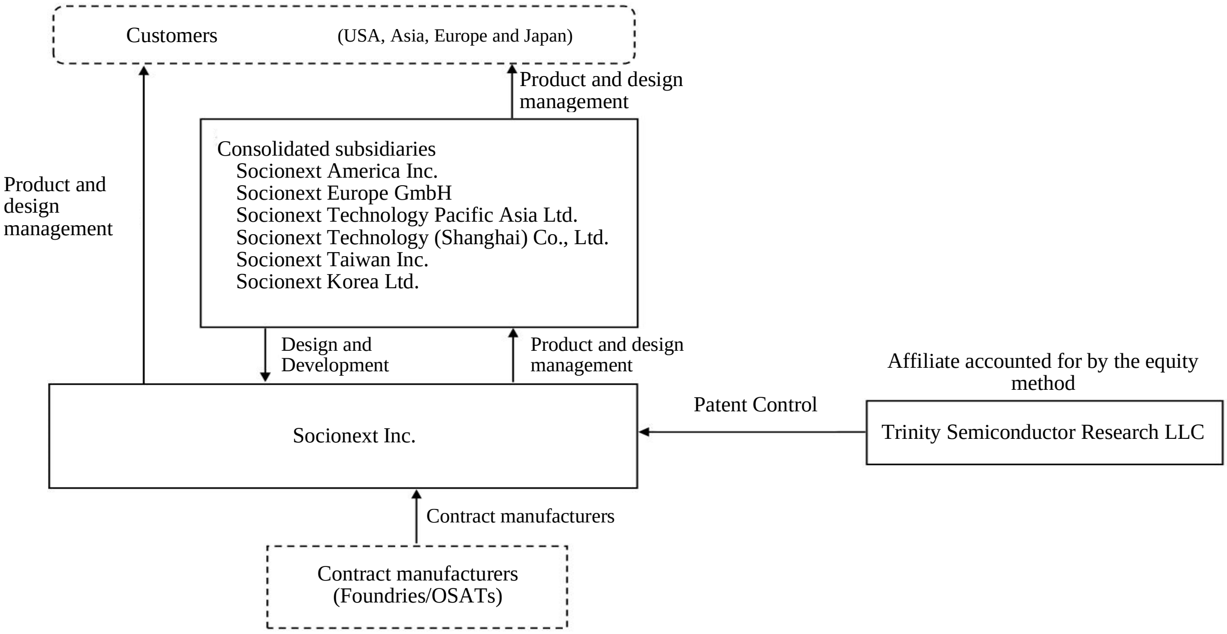
6 Process technology refers to the technology used in the front-end process of semiconductor manufacturing to create circuits on a silicon wafer.

7 Packaging technology refers to the technology used in the back-end process of semiconductor manufacturing, to protect semiconductor chips from the outside and to connect them electrically.

8 NRE stands for non-recurring engineering, referring to the sales received from customers during the development stage before mass production of products. NRE revenue correspond to design and development costs incurred during the development stage, such as labor costs, IP, design tools, reticles (photomasks used in the exposure process of semiconductor manufacturing to transfer the designed circuit to a silicon wafer), and prototype manufacturing, and are usually recorded multiple times as development milestones progress.

9 OSAT stands for out-sourced semiconductor assembly and test, representing contract manufacturing services in the later stages of semiconductor manufacturing.

The following chart summarizes the structure of the Group's businesses.



## 4 Information on Subsidiaries and Affiliates

| Company name | Address | Common stock | Principal businesses | Percentage of voting rights held (owned) (%) | Relationship |
|---|---|---|---|---|---|
| (Consolidated subsidiaries) | | | | | |
| Socionext America Inc. (Note 1) | Santa Clara, California, U.S.A | Thousand USD 2,800 | Design, development and sales of SoCs | 100.0 | (Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes |
| Socionext Europe GmbH | Langen, Germany | Thousand Euros 11,400 | Design, development and sales of SoCs | 100.0 | (Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes |
| Socionext Technology Pacific Asia Ltd. (Note 1) | Hong Kong, China | Thousand USD 6,000 | Design, development and sales of SoCs | 100.0 | (Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes |
| Socionext Technology (Shanghai) Co., Ltd. | Shanghai, China | Million Chinese Yuan 12.2496 | Design, development and sales of SoCs | 100.0 (100.0) (Note 2) | (Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes |
| Socionext Taiwan Inc. | Taipei, Taiwan | Thousand NTD 29,000 | Design, development and sales of SoCs | 100.0 (100.0) (Note 2) | (Business relationship) Development and sales of the Company's products (Interlocking directorate, etc.) Yes |
| Socionext Korea Ltd. | Seoul, South Korea | Million KRW 400 | Sales of SoCs | 100.0 | (Business relationship) Sales of the Company's products (Interlocking directorate, etc.) Yes |
| (affiliate accounted for by the equity method) | | | | | |
| Trinity Semiconductor Research LLC | Nakahara-ku, Kawasaki, Kanagawa | Million Yen 0.5 | Ownership, management and utilization of patent rights | 50.0 | (Business relationship) Entrustment of patent management (Interlocking directorate, etc.) Yes |

Note: 1 It is a specified subsidiary.

Note: 2 Figures in parentheses in the "Percentage of voting rights held (owned)" column represent the ratio of indirect voting rights, which is a part of the ratio of voting rights.

## 5 Employees

The Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

(1) Consolidated basis

As of March 31, 2024

| | |
|---|---|
| Number of employees (persons) | 2,534 |

Note: The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Socionext Group but including those on secondment from outside the Socionext Group). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.

(2) Reporting Company (non-consolidated basis)

As of March 31, 2024

| Number of employees (persons) | Average age (years) | Average years of service (years) | Average annual salary (thousand yen) |
|---|---|---|---|
| 2,168 | 49.8 | 8.1 | 9,210 |

Note: 1 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.

2 Average annual salary includes bonuses and extra wages.

(3) Labor union

The Company has a labor union named Socionext Workers Union. The Socionext Workers Union is a member union of Federation of ALL Fujitsu Worker’s Unions.

Among our employees, the number of union members is 1,531 as of March 31, 2024. Labor-management relations have remained favorable, and there are no special matters to be noted as to the relationship with the labor union.

(4) Percentage of female workers in managerial positions, percentage of male workers taking childcare leave, and wage differences between male and female workers

Reporting company (non-consolidated basis)

| Fiscal year ended March 31, 2024 | | | | | Supplementary explanation |
|---|---|---|---|---|---|
| Percentage of female workers in managerial positions (%) (Note 1) | Percentage of male workers taking childcare leave (%) (Note 2) | Wage differences between male and female workers (%) (Note 1) | | | |
| | | All workers | Full-time workers | Part-time and fixed-term workers | |
| 2.6 | 57.1 | 71.6 | 72.5 | 62.7 | - |

Note: 1 These percentages are calculated in accordance with the provisions of the “Act on the Promotion of Women’s Active Engagement in Professional Life” (Act No. 64 of 2015).

2 This percentage is calculated based on the ratios of childcare leave, etc. taken as specified in Article 71-4, Item 1 of the “Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Ordinance of the Ministry of Labour No. 25 of 1991) in accordance with the provisions of the “Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members” (Act No. 76 of 1991).

# II Business Overview

## 1 Management Policy, Business Environment, and Issues to Be Addressed

The Group's management policy, business environment and issues to be addressed are presented below.
The forward-looking statements in this section are based on the Group's estimates and assumptions made as of the filing date of this annual securities report.

(1) Basic management policy

1) Basic philosophy

The Socionext Group defines the following common group philosophy for its mission and values.
Based upon this philosophy, we will help to bring about a prosperous society by delivering new value to our customers and to people around the world beyond them. We will do this as a valued partner of customers seeking unique and cutting-edge SoCs to differentiate their services and products. We will also do this as a partner of our suppliers providing the latest technologies in the evolving semiconductor ecosystem, including foundries, OSATs and providers of intellectual property (IP), electronic design automation (EDA) and software.

- Mission
  "Together with our global partners, we bring innovation to everyone everywhere."
- Values
  "Change"
  We adapt ourselves to the disruptive discontinuous changes in business, technology, mindset, operations, and other environments.
  "Technology"
  By pursuing cutting-edge technology, we aim to become a company that supports global innovation through the development of competitive technology.
  "Growth"
  Our growth helps to deliver benefits to all stakeholders, including shareholders, customers, partners, and employees.
  "Speed"
  We respond quickly to dynamic and rapidly changing markets and customers.
  "Sustainability"
  We ensure a sustainable future by creating a cohesive society with customers and partners.
- Action Guidelines
  - Each individual takes ownership of his or her work, responds to changes in the environment, and thinks and acts independently from a market-oriented customer perspective.
  - To maintain access to growing markets and companies, we address customers' problems with effective solutions backed by the latest technologies and knowledge.
  - Each individual's willingness to take on challenges to persevere toward his or her goals and the desire to become a professional will lead to personal and company growth.
  - We make speedy decisions on an individual and organizational basis, always looking ahead and creating value for customers.
  - As a member of the global society, we will fulfill our corporate social responsibilities and contribute to the realization of a sustainable and prosperous society.
- Corporate Social Responsibility Guidelines
  - Compliance with laws, regulations and social standards
    We fully comply with laws, regulations, and social standards, thus earning the trust of society.
  - Respect for human rights
    We respect each individual's rights, and do not discriminate or tolerate human rights violations.
  - Establishing an improved work environment
    We want our employees to be happy. We respect their individuality, treat them fairly and aim to create a healthy and comfortable work environment.
  - Environmental considerations
    We conduct our business with consideration for the global environment.
  - Promoting fair trade
    Our relationships with our customers and suppliers are built on trust, in accordance with the principles of fair trade.
  - Information management
    We carefully manage and ensure the confidentiality of company information, third-party information from our customers and suppliers, and personal information.
  - Respect for intellectual property
    We value and protect intellectual property, which is the primary corporate asset.

2) Management policy

To pursue the above basic philosophy, the Group is developing and providing SoCs through our own distinctive Solution SoC business model for customers wanting leading-edge custom SoCs, whereby we combine an optimal mix of technologies to implement the functions they require. Along with the automotive, data center & networking, and smart device fields that represent our leading-edge sectors, we aim to win more business, in a regionally balanced manner, from global customers in the industrial equipment field and in IoT & radar sensing.

Through our business activities, our goal is to earn the trust of our customers, position ourselves as the top SoC supplier to major global and growing companies, and support our customers' growth. Simultaneously, we contribute to addressing societal issues by applying the Group's low-power technologies, to name just a few. Furthermore, by engaging in collaborative development with our customers, we strive to establish a virtuous cycle of growth for both our engineers and the company. This growth enhances corporate value, thereby generating returns for our shareholders.

(2) Business environment, and issues to be addressed

1) Business environment

In recent years, the widespread use and integration of various innovative technologies such as networks, clouds, and AI, have given rise to a wave of novel services and products, including autonomous driving and AR/VR. The demand for custom SoCs is growing, as companies offering these services/products increasingly require their own SoCs to differentiate their services and products.
On the other hand, advancements in the semiconductor industry ecosystem now allow access to cutting-edge technologies, ranging from IP, EDA tools, and software to wafer process, assembly, and testing — core technologies for custom SoC development. At the same time, the expanding options to fulfill differentiation requirements have added complexity to the development of distinctive SoCs through optimal combinations.

Against this backdrop, there is a growing demand for the Solution SoC business model connecting customers seeking to develop their own custom SoCs with the evolving semiconductor ecosystem.
As of 2023, the market for custom SoCs, including those developed using the Solution SoC business model, amounted to 25 billion U.S. dollars (*2). Excluding companies that exclusively provide custom SoCs for their own products, the market was 12 billion U.S. dollars (*2), with the Group holding the second-largest market share (*1) at approximately 12%. While the average annual growth rate of the semiconductor market as a whole is expected to be 10.7% (*2) between 2023 and 2027, the custom SoC market is expected to grow at an average annual growth rate of 2.9% (*2) over the same period.
Furthermore, the Group's focus areas (automotive, data center & networking, smart devices, and industrial equipment) had a market size of 7.4 billion U.S. dollars as of 2023 (*2), and the annual average growth rate is expected to be at as high as 8.4% (*2) during the period mentioned above.

*1 The Company made estimates using Omdia's "Competitive Landscaping Tool CLT, Annual-4Q 2023," along with the Company's internal data. The Company made estimates using its definition of Logic ASICs in this data as custom SoCs, which differ from the Company's actual target markets. In addition, the market size may vary from the actual market size because estimates were based on certain assumptions and external data. This data excludes Apple Inc., which exclusively provides custom SoCs for its own products, and traditional ASIC vendors in Taiwan.

2. The Company made estimates based on Omdia's "Application Market Forecast Tool-1Q 2024." The Company made estimates for the following data as its focus areas: Data Center Servers, Solid State Drives, Enterprise Ethernet Switches & Routers, Carrier Ethernet Switches & Routers, Optical Equipment, Broadcast & Streaming Video, Data Center Network Switches, Mobile Comm Infrastructure, Other Consumer Electronics, Connectivity & Telematics, Infotainment & Cluster, ADAS, Chassis & Safety, Security & Video Surveillance, Automation, Test & Measurement, and Other Peripherals.

2) Priority business and financial issues to be addressed

As a result of the Phase 1 transformation that we have been undertaking since the fiscal year ended March 2019, operating income has increased and sales and profit margins have also improved since the fiscal year ended March 2022. In order to achieve sustainable growth in the future, there are many challenges which need to be tackled, including strengthening R&D competitiveness, transforming our business structure, globalizing the entire organization, and further improving profit margins. Based on the "quantitative changes" achieved in the Phase 1 transformation, we will boldly promote the "qualitative changes" aimed at building a competitive R&D system and creating an organizational culture suitable for a global company, as the Group's Phase 2 transformation.

[Restructuring of R&D system and improvement of business processes]

In line with the shift to a business model of the Solution SoC, the Group has been proceeding to restructure its R&D system to strengthen capabilities and improve efficiency since the fiscal year ended March 2021. Through ongoing communication with global customers, players in the semiconductor ecosystem and investors, we will strive in an integrated manner to establish a design and development platform as well as standard design and development processes suitable for our Solution SoC business model, and enhance both the efficiency and visibility of these processes, alongside reforms in design and development management.
In addition, we will implement measures to globalize and improve operations in our production management group as we expand design wins with global customers. We aim to improve efficiency and transparency in delivery systems by connecting customers with the Group's production systems. Through this effort, we will establish a robust structure that enables accurate production planning and timely procurement, and will improve our business processes, including our relationships with foundries and OSAT companies to which we entrust our manufacturing.

[Expansion of sales and operating income with a view to medium- to long-term growth]

For future sales management, the Group has adopted a management indicator called ”design win balance”, which is the balance obtained by subtracting actual sales from the amount of design wins acquired. Based on the design win balance, the Group is now able to forecast sales through the fiscal year ending March 2026 to some extent. For the continuous sustainable growth of the Group in the fiscal year ending March 2027 and beyond, we recognize that it is necessary to continuously acquire the same level of design wins per year as in the current fiscal year, which is around 250 billion yen (1 U.S. dollar = 100 yen). To this end, in addition to the automotive area, which we have been steadily acquiring design wins, we will promote efforts to acquire design wins in a balanced manner in each of our focus areas, including the data center & networking area.

As for measures to increase operating income, we will continue to improve product gross profit, improve income and expenditures in the area of development, and appropriately manage sales and administrative expenses.

[Initiatives for Sustainability]

The Group identifies materiality (important issues) to be addressed with a sense of priority and promotes sustainability activities.

As part of our efforts to address environmental issues and climate change, we are working to achieve a decarbonized society by reducing our greenhouse gas (GHG) emissions and contributing to the reduction of GHG emissions by our customers through the Group’s advanced SoC that can reduce the consumption of energy and the use of space.

In terms of human capital, we are working to maximize the human capital of the Group by enhancing systems related to human rights, diversity, the promotion of good health, and safety and health, and by formulating educational programs related to the training of engineers.

The Group is committed to having sustainability activities take place throughout the supply chain, including at partner companies, and will contribute to solving social issues and realizing a sustainable society through the further growth of its business.

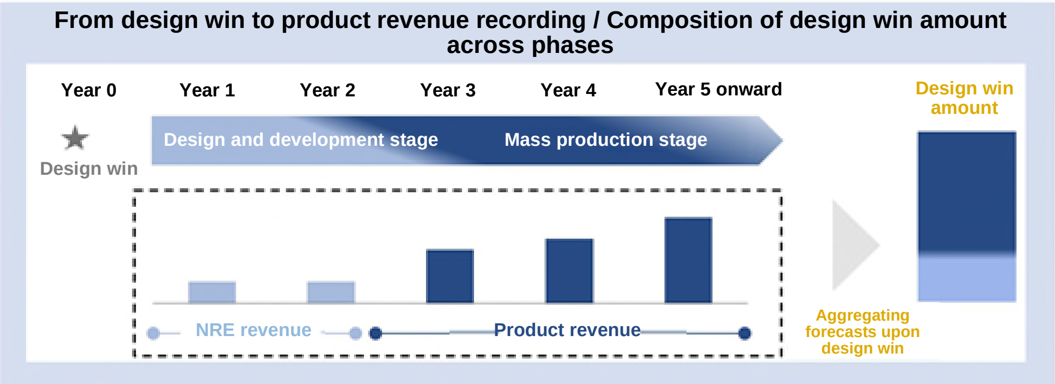
The Group is committed to fulfilling its social responsibility as a global corporation and continuing to be an entity that can earn the trust and support of all stakeholders. The Group will provide new value to the world with its cutting-edge SoC technology, and continue to strive to improve corporate value over the medium to long term.

(3) Key indicators to assess the achievement of management targets

Custom SoCs typically require more than 2 years to ship products and record sales after the acquisition of design wins, involving stages of design and development, as well as evaluation by the customer. The Group considers the “design win amount” and the “design win balance” as the key management indicators, which serve as a basis of future sales forecasts, to visualize future sales forecasts from an earlier stage and to implement the necessary measures in a timely manner. The Company aims to enhance the net sales growth rate over the medium term by gathering and reviewing these indicators in its daily activities, increase gross profit through the expansion of product revenue, and enhance the operating margin by improving development efficiency and implementing other measures.

The design win amount was roughly 100 billion yen for each of the fiscal years ended March 31, 2018 and 2019 but it has increased to roughly 250 billion yen during the fiscal year ended March 31, 2023, and is maintained at the same level in the fiscal year ended March 31, 2024. We have acquired a number of large-scale design wins in focused areas where high growth is expected, particularly for automotive products. As a result, the design win balance increased from approximately 880 billion yen at the end of June 2022 to approximately 1 trillion yen at the end of March 2024.

After acquiring design wins, the Group commences the design and development of SoCs, typically receiving the majority of the associated costs from customers as NRE revenue in phases. Subsequently, after customer evaluation, we proceed to the mass production phase and record the product revenue. NRE revenue accounted for 17% of the Group’s consolidated net sales for the year ended March 31, 2024. It typically takes more than 2 years from the acquisition of design wins to the completion of design and development, customer evaluation, and finally, the recording of product revenue. During this period, changes in product unit price resulting from project cancellations or specification changes could occur. Therefore, the design win amount does not guarantee future sales.




The “design win amount” represents our estimate of design wins acquired during a specific accounting period, reflecting costumer demand throughout the entire sales period, which ultimately leads to future design, development and mass production, at the time when the contract for design and development was concluded with the customer (at the time of acquisition of design wins). The calculation is based on an exchange rate of 100 yen to the dollar. The design win amount serves as a forecast for customer demand, and it does not account for manufacturing capacity constraints. Additionally, we do not revise this figure based on subsequent events, such as project cancellations after the acquisition of design wins or the

actual recording of sales. While the unit price of a product is agreed upon at the acquisition of a design win (with the caveat that changes in product specifications during design and development may result in adjustments to the unit price), the sales quantity remains unspecified.
After acquiring design wins, the Group commences the design and development of SoCs, receiving the majority of the associated costs from customers as NRE revenue in phases. Subsequently, after customer evaluation, we proceed to the mass production phase and record the product revenue. Typically, the duration from design win acquisition to the recording of product revenue spans more than 2 years, signifying a substantial business timeline that includes both the mass production process and its completion. For this reason, we consider the "design win balance" as an important management indicator. The balance reflects in a timely way changes in the status of individual design wins, including fluctuations in unit price and quantity.

The "design win balance" is the Group's estimate of the cumulative value of design wins for existing projects at a given point of time, also calculated at an exchange rate of 100 yen to the dollar. The design win balance reflects or updates the progress or changes in the design win amount after the time of the acquisition. Therefore, it may change significantly depending on the timing of the calculation of the design win balance. This progress or these changes include: (1) the cancellation of projects after the acquisition of design wins (approximately 20% of the design win amount from the fiscal year ended March 31, 2020, to the fiscal year ended March 31, 2022, in the focused areas (automotive, data center & networking, and smart devices) were cancelled after the fact. At this point, the impact of the cancellation of projects after the acquisition of design wins on the design win amount acquired from the fiscal year ended March 31, 2020, through the fiscal year ended March 31, 2024, has been offset by the impact of increases in unit prices and volume after other design win acquisition. Accordingly, the current design win remains roughly on the same level as the initial amount of design win. Although the possibility of future cancellations of design wins acquired to date cannot be ruled out, no material cancellations have occurred with respect to design wins acquired in the fiscal years ended March 31, 2023, and ended March 31, 2024.); (2) deductions from actually recorded sales; and (3) changes in unit prices of products due to changes in specifications and other factors, as well as changes in estimated product sales volumes.

In addition to the information provided above, please also refer to "(4) Socionext Group management targets" in "3. Business Risk Factors" below for additional notes on the "design win amount" and the "design win balance."

## 2 Approach to and Initiatives for Sustainability

### (1) Basic views on sustainability

"Together with our global partners, we bring innovation to everyone everywhere." Based on this mission, the Socionext Group recognizes sustainability as a significant management challenge. We aim to bring new value to our customers and, through them, to people everywhere, and contribute to achieving a sustainable and prosperous society. We will do this by serving as a partner to customers seeking to differentiate new services and products through the development of their own leading-edge SoCs, and as a partner to foundries, OSATs, and suppliers providing the latest technologies, including IP, EDA tools and software, in the evolving semiconductor ecosystem.

The environment in which companies operate is undergoing major change amid rising global concern about social problems, such as diversity and respect for human rights, as well as attention to environmental problems that include global warming and climate change. At Socionext Group, we are working to fully understand the risks posed by the diverse issues facing the world and intend to pursue initiatives that will lead to their resolution.

In pursuing these activities, we are striving to understand the issues involved while also building relationships of trust, engaging in dialogue and collaborative activity with our many stakeholders, who include customers, partners, employees, local communities, and shareholders, with our goal being to create a sustainable society.

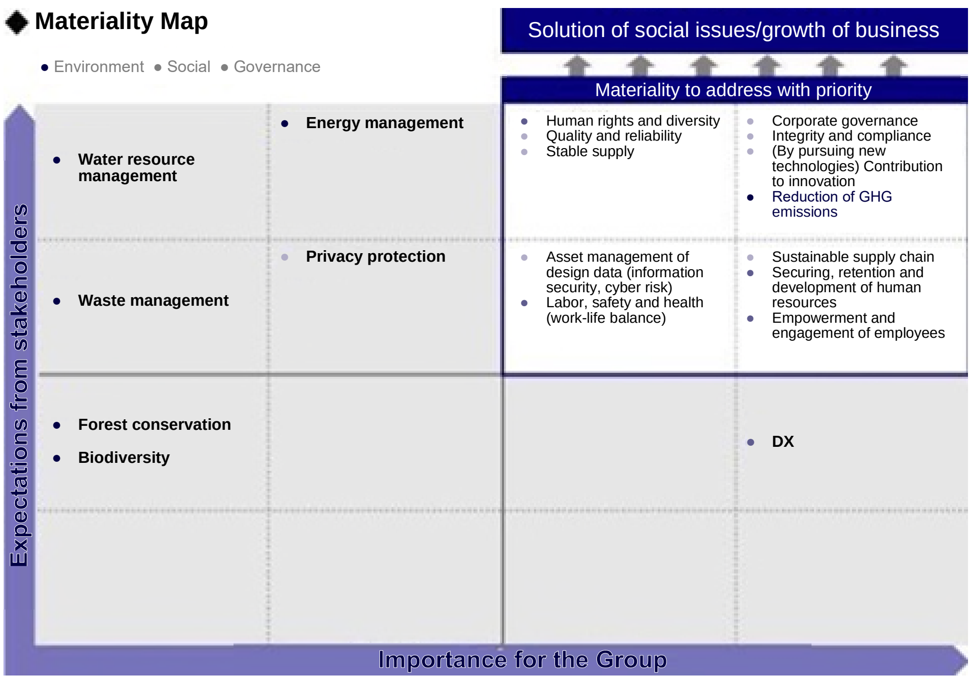
### (2) Identification of materiality

Based on our basic approach to sustainability, we have evaluated the social issues that need to be resolved and their importance to the growth of the Group's business,and have identified materiality to be addressed with a sense of priority. We will promote efforts on materiality throughout our supply chain to achieve sustainable growth by responding flexibly to changes in global trends and the business environment.

[Process to identify materiality]

In selecting materiality, we referred to the Group's "Basic Philosophy" and extracted materiality from each aspect of the Group's business and the various stakeholders surrounding the Group, including customers, partners, employees, local communities, shareholders, etc. Based on global requirements and standards, such as SASB/WEF/CSRD, etc., we evaluated materiality in terms of both "expectations from stakeholders" and "importance for the Group." The final decision is made by approval of the Board of Directors after discussion at the management level.

| | | | | |
|---|---|---|---|---|
| Extract materiality from each aspect of "expectations from stakeholders" and "business growth" based on the Group's "Basic Philosophy" | ⇒ | Organize and evaluate materiality based on the two axes of "degree of expectations from stakeholders" and "importance for the Group" | ⇒ | Identify materiality to be addressed with priority through management discussion and approve at the Board of Directors |



| Materiality to address with priority | The Group's approach |
|---|---|
| Corporate governance | Sound and transparent governance is the foundation for global business growth. |
| Integrity and compliance | A high awareness of integrity and compliance is essential for global business development. |
| (By pursuing new technologies) Contribution to innovation | Differentiation of the Group's products and services is a necessary element for achieving medium- to long-term business growth and maximizing corporate value. |
| Reduction of GHG emissions | Contributing to the reduction of GHG emissions in customers' products will lead to the resolution of social issues and business growth of the Group (contribution by providing SoC that can reduce the consumption of energy and the use of space). |
| Sustainable supply chain | In fabless business operations, advanced CSR management throughout the supply chain is essential. |
| Securing, retention and development of human resources | In order to maintain global development competitiveness, it is essential to secure and foster human resources who can lead technological development and generate innovation. |
| Empowerment and engagement of employees | Fostering an environment and corporate culture in which employees can work energetically and continuously grow and take on challenges will be necessary for further business growth. |
| Human rights and diversity | Further business growth will require a diverse workforce and the development of an environment in which they can play active roles. |
| Quality and reliability | Not only advanced technological capabilities, but also high quality and reliability, are the source of the Group's differentiation and competitiveness. |
| Stable supply | In order to meet customer requirements and to fulfill social responsibility, excellent QCD, stable supply, and business continuity are required. |
| Asset management of design data (Information security, cyber risk) | Strict control of design assets and know-how is the foundation of the business and essential to win the trust of customers. |
| Labor, safety and health (Work-life balance) | Employees' flexible choice of work location and hours for efficient work, and good physical and mental health are necessary for business growth. |

(3) Approach to sustainability information disclosure

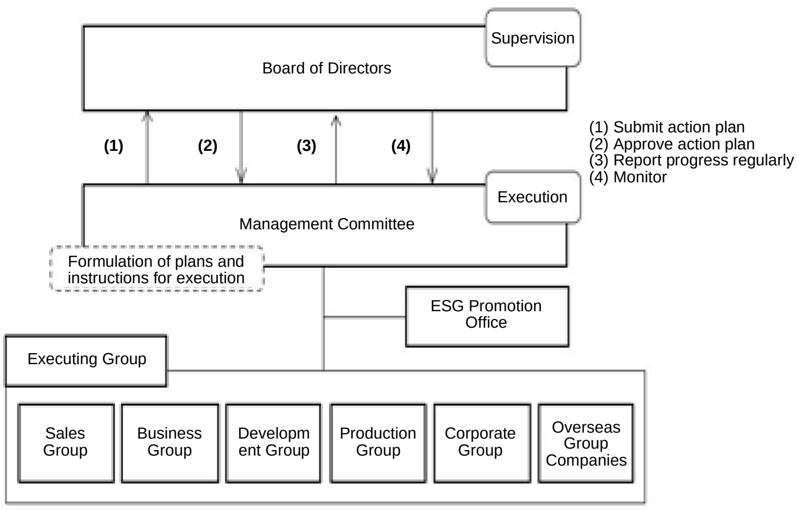
Our disclosure of sustainability information is done in accordance with the TCFD (*1) declaration and the ISSB (*2) sustainability disclosure standards (IFRS (*3) S1/S2) and will address the four topics of governance, strategy, risk management, and indicators and targets.

*1: TCFD is an abbreviation for Task Force on Climate-related Financial Disclosures.
*2: ISSB is an abbreviation for International Sustainability Standards Board.
*3: IFRS is an abbreviation for International Financial Reporting Standards.

(4) Details of the Group's initiatives

1) Governance

The Group is putting measures in place for acting on sustainability in ways that are coordinated across relevant internal divisions, including the establishment of an ESG Office to facilitate ongoing management-level discussion of medium- to long-term challenges. This organizational structure provides a framework for action under the direction of the Management Committee. The Board of Directors debates and approves policies and action plans for important sustainability challenges while also acting in a supervisory role, including by monitoring progress.



[Board of Directors]
The board has responsibility for making decisions on sustainability activities. It debates and approves the associated policies, strategies and actions. It also supervises the progress of these actions semi-annually and issues instructions etc. as necessary.

[Management Committee]
The committee drafts sustainability policies, strategies, actions, and other plans for subsequent consideration by the board. It is also responsible for ensuring that actions are carried out, issues instructions for doing so to the operational divisions with the board's approval and promotes initiatives.
To implement these actions, the ESG Office provides support for drafting policies, strategies, actions, and other plans and for putting these into practice. It also tracks the progress of this work and reports back to the Management Committee.

2) Risk management
To mitigate and reduce management and business risks, the Group conducts a bi-annual, company-wide risk management review. Sustainability risks such as climate change, human resources, and diversity are treated as important elements in this framework, which involves assessing risk, formulating and implementing actions, and assessing outcomes on a regular basis. Please refer to "3 Business Risk Factors" below for our basic approach and system for risk management.

3) Response to climate change
a. Strategy for responding to climate change
The Socionext Group believes that it can facilitate the transition to a sustainable society by using the SoCs we supply to help our customers achieve ongoing reductions in their GHG emissions. By collaborating on development with major customers who are leaders in their global markets and through the development of high-performance custom SoCs that leverage our proprietary multicore design techniques and AI engines and accelerators with low-power consumption, we will achieve further miniaturization, higher levels of integration and lower power consumption of customer products and contribute to our customers' innovation.
In the fiscal year ended March 31, 2024, we identified the following climate change "risks" and "opportunities" in our group business activities and calculated their financial and business impacts by scenario analysis.

[Main climate change risks and opportunities]

| Category | | | Impact of climate change on the Group | The Group's action |
|---|---|---|---|---|
| Risks | Transition risks | Government policy and regulation | Increased costs due to action on improving energy efficiency and reducing GHG emissions (higher energy costs due to carbon pricing, etc.) | Identify in a timely way global trends and regulatory changes along with systematic investigation, implementation, and evaluation of actions.<br>Determine GHG emissions in the supply chain and continue working with partners to reduce the emissions. |
| | | Technology | Higher R&D spending to maintain and improve competitiveness in the market<br>Higher production costs to maintain and improve competitiveness in the market | Develop and distribute energy-saving and space-saving eco-friendly devices and solutions in partnership with customers and partners, while streamlining the development process for such devices and solutions. |
| | | Market and reputation | Sales decrease and reputation risk due to inability to offer environmentally friendly devices<br>Regulation-driven increases in cost of materials, electricity, and other inputs | Develop and provide products and services that contribute to reducing GHG emissions.<br>Review choice of parts and materials.<br>Reduce GHG emissions by investigating adoption of renewable energy. |
| | Physical risks | Acute | Disruptions at contract manufacturers and data centers due to growing severity of abnormal weather | Regularly revise business continuity plans allowing for shutdowns or other disruptions at contract manufacturers and data centers, including decentralization of such sites.<br>Study of potential cost savings through more efficient use of electric power at workplaces and data centers. |
| | | Chronic | Disruptions to outsourced production due to water shortages<br>Higher power costs at data centers and other facilities due to rising air temperatures | |
| Opportunities | | Efficient resource use | Lower costs through more efficient use of resources (energy and water) at data centers and other workplaces | Lower costs through more efficient SoC development (use of proprietary multicore design techniques and AI engines and accelerators with low power consumption) |
| | | Products and services | Higher demand, especially for products with low-power consumption that help customers reduce GHG emissions and use energy more efficiently | Development and distribution of energy-saving and space-saving eco-friendly devices and solutions. |
| | | Market | Acquire new customers by leveraging low-power-consumption technologies | Leverage low-power consumption and miniaturization to acquire new customers, especially SoCs for ADAS/AD and data centers. |

(a) Scenario analysis

| Category | Scenario/Reference information |
|---|---|
| Periods | • Short term: –2025<br>• Medium term: 2026–2030<br>• Long term: 2031–2050 |
| Impact | • Small: 1 billion yen or less<br>• Medium: Over 1 billion yen but up to 5 billion yen<br>• Large: Over 5 billion yen<br>* Impact on a fiscal year basis |
| Scenarios | 1.5°C/2.0°C scenario: SDS/NZE of IEA, RCP/SSP1 of IPCC |
| Scenario analysis process | The Group analyzed risks and opportunities under a scenario in which the global average temperature rise is limited to less than 2.0°C (partly within 1.5°C) as agreed in the Paris Agreement, as announced by the International Energy Agency (IEA), the Intergovernmental Panel on Climate Change (IPCC), and others. |

[Impact on the Group under the 1.5°C/2.0°C scenario]

| Category | | Impact of climate change on the Group | Financial impact on business activities | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | | Materiality *1 | Timing | Impact on | Degree of impact *2 | | |
| | | | | | | Small | Medium | Large |
| Transition risks | Government policy and regulation | Increased costs due to action on improving energy efficiency and reducing GHG emissions (higher energy costs due to carbon pricing, etc.) | Medium | Medium to long term | Cost | → | | |
| Transition risks | Technology | Higher R&D spending to maintain and improve competitiveness in the market<br>Higher production costs to maintain and improve competitiveness in the market | High | Short to medium term | Cost | → | → | → |
| Transition risks | Market and reputation | Sales decrease due to changes in customer demand<br>Reputation risk due to inability to offer environmentally friendly devices | Medium | Medium to long term | Net sales | - | | |
| Transition risks | Market and reputation | Regulation-driven increases in cost of materials, electricity, and other inputs | Medium | Medium to long term | Cost | - | | |
| Physical risks | Acute | Disruptions at contract manufacturers and data centers due to growing severity of abnormal weather | Low | Medium to long term | Net sales | - | | |
| Physical risks | Chronic | Disruptions to outsourced production due to water shortages | Low | Medium to long term | Net sales | - | | |
| Physical risks | Chronic | Higher power costs at data centers and other facilities due to rising air temperatures | Medium | Medium to long term | Cost | → | → | |
| Opportunities | Efficient resource use | Lower costs through more efficient use of resources (energy and water) at data centers and other workplaces | Medium | Medium to long term | Cost | → | → | |
| Opportunities | Products and services | Higher demand, especially for products with low-power consumption that help customers reduce GHG emissions and use energy more efficiently | Medium | Medium to long term | Net sales | - | | |
| Opportunities | Market | Acquire new customers by leveraging low-power-consumption technologies | Medium | Medium to long term | Net sales | - | | |

*1: The degree of materiality, i.e., "high," "medium," or "low" is evaluated by considering the "likelihood of occurrence" and "degree of impact" of climate-related risks and opportunities.

*2: The degree of impact for risks and opportunities that are difficult to estimate is presented as "-," keeping the qualitative evaluation in each item.

(b) Specific actions regarding risks and opportunities

In recent years, with the development of self-driving technology and the beginning of the use of generative AI in the market, the computing power required is expected to increase exponentially, making it a social issue to reduce power consumption and GHG emissions. To maintain and improve market competitiveness and counter rising energy costs, the Group is working to reduce power consumption from the development stage.

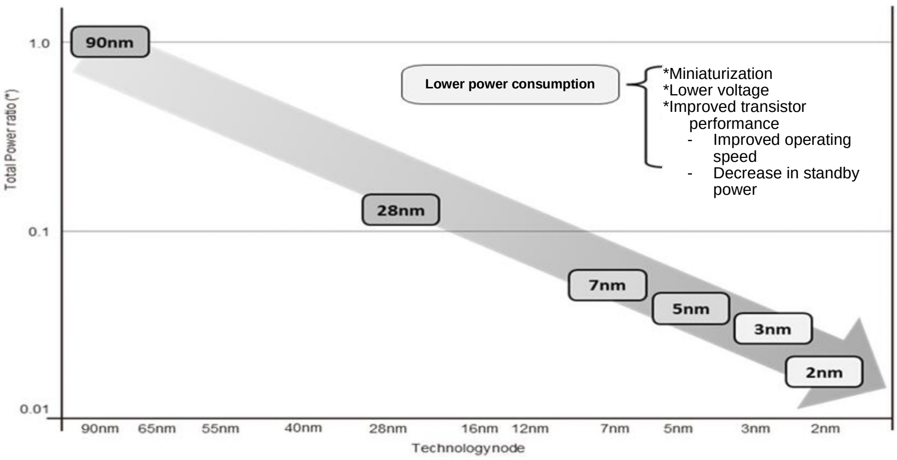
i) Efforts to reduce and lower power consumption of LSIs

[Reduced power consumption by miniaturization]

In order to meet customers' demands for lower power consumption of LSIs, the Group is pursuing advances in process nodes (miniaturization and lower voltages) to achieve lower power consumption.

Comparing the power consumption of advanced and existing processes, the most advanced 2nm/3nm process consumes approximately 1/10 or less per transistor compared with the 28nm process.

[Visualization of reduced power consumption by miniaturization and lower voltage]



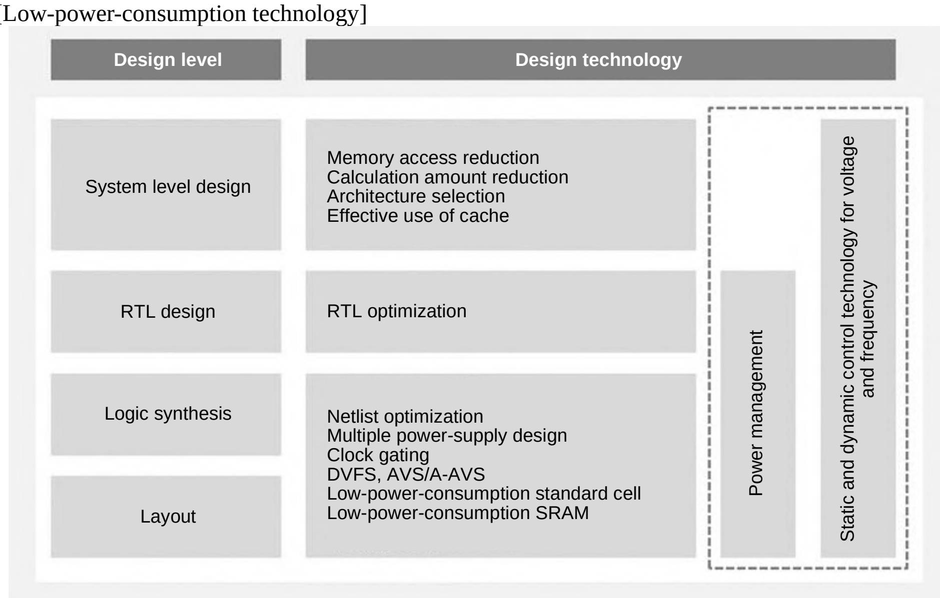

* The vertical axis is the relative ratio of each technology with respect to the 90nm Total Power (sum of Dynamic and Leakage components).

[Design technology to achieve low-power consumption]

The SoC design of the Group is taking a variety of approaches to meet customers' demands for low-power consumption. To realize low-power LSIs, it is effective to combine various technologies, not only using individual technologies (see figure below). "Reference design flow," the Group's design environment, can respond to various low-power technologies and reduce power consumption of LSI's both during operation and standby. In particular, we are systematizing and developing methods to reduce power consumption by controlling the power supply.

In addition, by adopting UPF/CPF*, the Group facilitates low-power consumption design while minimizing changes to the customer's design assets. The adoption of UPF/CPF enables highly reliable designs for low-power technologies, which have been extremely difficult to verify in the past.

[Low-power-consumption technology]




For more information, please refer to the Group's website.

https://www.socionext.com/en/products/customsoc/design/low-power.html

* UPF (Unified Power Format): A standard specification describing low-power-consumption design guidelines standardized as IEEE Std. 1801.
CPF (Common Power Format): A standard specification describing low-power-consumption design guidelines standardized by Si2.

[Design/development processes and packaging technologies that enable low power consumption]

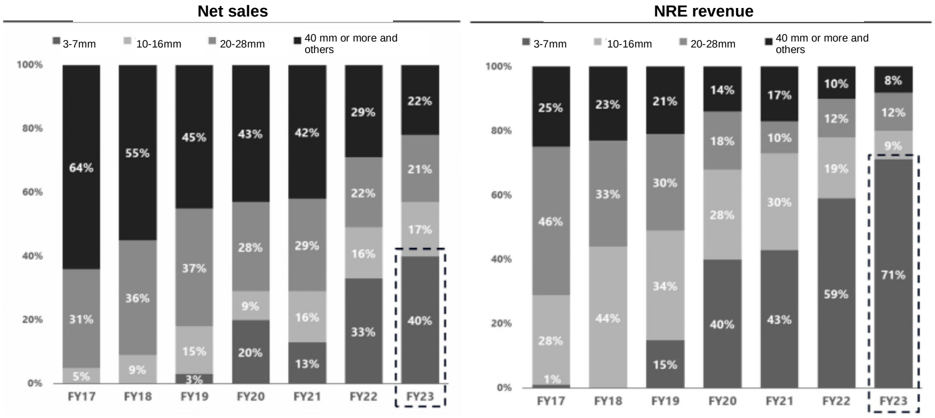
In order to achieve low power consumption in our customers' products, we have established and operate our own development flow ("Design Review" mechanism). Specifically, we contribute to the reduction of GHG emissions at various stages from product manufacturing to putting in use by listening to customers' requirements for low power and determining specifications, proposing technology selection (including process node selection) to realize the requirements, and selecting foundries and OSATs that are proactive in measures to reduce environmental impact including GHG emission reduction, among other initiatives.

In the development stage, we are working on logic/physical design and package design (2.5D, 3D, chiplet strategy, etc.) oriented toward low power consumption and miniaturization, and contributing to the reduction of GHG emissions through SoC products.

As described above, the Group contributes to the reduction of power consumption at our customers' end by developing and providing advanced technology products and products incorporating diverse low-power-consumption technologies.

In terms of sales trends by process node, both product sales and NRE revenue are shifting toward advanced technology products (3nm to 7nm). NRE revenue (for the fiscal year ended March 31, 2024), a leading indicator of future product sales, show that advanced technology products account for 71% of total sales.

[Breakdown of sales by process node]




ii) Efforts to reduce size and space

The Group contributes to the reduction of materials used (mineral and fossil resources) by miniaturizing LSIs and to the reduction of energy consumption in the manufacturing process, from raw materials to finished products.

Miniaturization of LSIs leads to smaller size and space-saving in customers' end products, and also leads to easier countermeasures against heat generation during equipment operation. We believe that, in addition to reducing the material used and energy consumed in manufacturing process by our customers, it leads to the realization of a sustainable society by reducing energy when using finished products (for example, improved cruising distance of electric vehicles, reduced burden on air conditioners in data centers, etc.).

In recent years, chiplets represented by 2.5D and 3D integration technologies have entered the practical stage and are expected to be a breakthrough against the limits of LSI miniaturization. By actively promoting the adoption of this technology, the Group is promoting further miniaturization, space-saving designs, and low power consumption.

iii) Efforts to reduce power consumption at data centers

The shift in development to advanced technology products (2nm to 7nm) has led to an increase in the volume of data processing in data centers, and power consumption now accounts for about half of the Group's GHG emissions (the sum of Scope 1 and 2). As the scale of our business expands in the future, power consumption is expected to increase further.

As a measure to reduce power consumption in data centers, the Group is sequentially introducing and replacing its equipment with low-power-consumption devices, primarily CPUs and servers. In addition, we are working to reduce power consumption by curbing CPU/server operating time through streamlining operations by improving development processes, methods, etc.

Other efforts to reduce power consumption include consolidating data centers and shifting to water cooling for the installed equipment.

b. Indicators and targets for climate change response

GHG emissions (Scope 1 (*1) and Scope 2 (*2)) by the Group for the fiscal year ended March 31, 2024, were approximately 8,198 t-$CO_2$. Compared with the previous year, this represents a reduction of 336 t-$CO_2$. GHG emissions per net sales were 3.71 t-$CO_2$, a reduction of 0.72 t-$CO_2$ compared with the previous year.

We have set a goal for the group of becoming carbon neutral by 2050 in terms of both Scope 1 and Scope 2 emissions, and we are continuing to investigate and implement reduction measures that will help us achieve this goal.

*1: Direct greenhouse gas (GHG) emissions by the organization

*2: Indirect GHG emissions associated with consumption of electric power, heat, or steam supplied by other companies

[GHG emissions]

| | FY ended March 31, 2022 (t-CO2) | FY ended March 31, 2023 (t-CO2) | FY ended March 31, 2024 (t-CO2) | Year on year (t-CO2) | Target |
|---|---|---|---|---|---|
| Scope1 | 318 | 235 | 262 | 27(111%) | Achieve carbon neutrality by 2050 |
| Scope2 | 6,971 | 8,299 | 7,936 | (363)(96%) | |
| Total | 7,289 | 8,534 | 8,198 | (336)(96%) | |

[GHG emissions per 100 million yen unit of net sales]

| | FY ended March 31, 2022 (t-CO2) | FY ended March 31, 2023 (t-CO2) | FY ended March 31, 2024 (t-CO2) | Year on year (t-CO2) |
|---|---|---|---|---|
| Scopes 1 and 2 | 6.23 | 4.43 | 3.71 | (0.72) |

[GHG Emissions Scope 3 Breakdown]

| Greenhouse gas (GHG) emissions | | Global results (t-$CO_2$) | | |
|---|---|---|---|---|
| | | FY ended March 31, 2022 | FY ended March 31, 2023 | FY ended March 31, 2024 |
| Scope1 | | 318 | 235 | 262 |
| Scope2 | Market-based | 6,971 | 8,299 | 7,936 |
| Scope3 | | 246,765 | 536,424 | 376,810 |
| Total | | 254,054 | 544,958 | 385,008 |
| Scope 3 details | | | | |
| Cat.1 | Purchased goods and services | 216,169 | 500,316 | 339,024 |
| Cat.2 | Capital goods | 27,715 | 32,053 | 32,164 |
| Cat.3 | Fuel- and energy-related activities not included in Scope 1 and 2 | 1,269 | 1,416 | 1,370 |
| Cat.4 | Upstream transportation and distribution | 895 | 1,150 | 1,136 |
| Cat.5 | Waste generated in operations | 50 | 26 | 25 |
| Cat.6 | Business travel | 200 | 953 | 2,267 |
| Cat.7 | Employee commuting | 467 | 510 | 824 |
| Cat.8 | Upstream leased assets | Not applicable | | |
| Cat.9 | Downstream transportation and distribution | Not applicable due to calculation by Cat.4 | | |
| Cat.10 | Processing of sold products | Not applicable | | |
| Cat.11 | Use of sold products | Not applicable | | |
| Cat.12 | Disposal of sold products | Not applicable | | |
| Cat.13 | Downstream leased assets | Not applicable | | |
| Cat.14 | Franchises | Not applicable | | |
| Cat.15 | Investments | Not applicable | | |

[IFRS S2 Disclosure Requirements]

<table>
<tr><th rowspan="2">Disclosure items</th><th rowspan="2">Indicator</th><th colspan="3">Actual results</th><th rowspan="2">SASB Comparison Table (code)</th></tr>
<tr><th>FY ended March 31, 2022</th><th>FY ended March 31, 2023</th><th>FY ended March 31, 2024</th></tr>
<tr><td rowspan="3">Greenhouse gas emissions</td><td>(1) Gross global Scope 1 emissions</td><td>318 t-CO2eq</td><td>235 t-CO2eq</td><td>262 t-CO2eq</td><td>TC-SC-110a.1</td></tr>
<tr><td>(2) Amount of total emissions from perfluorinated compounds</td><td colspan="3">Since the Group’s products do not contain such substances, there are no greenhouse gas emissions.</td><td>TC-SC-110a.1</td></tr>
<tr><td>Discussion of long- and short-term strategy or plan to manage Scope 1emissions, emissions reduction targets and an analysis of performance against those targets</td><td colspan="3">We aim to achieve carbon neutrality in GHG emissions (Scope 1 and 2) by 2050.</td><td>TC-SC-110a.2</td></tr>
<tr><td rowspan="3">Energy management in manufacturing</td><td>(1) Total energy consumed</td><td>176,530 GJ</td><td>197,892 GJ</td><td>165,944 GJ</td><td rowspan="3">TC-SC-130a.1</td></tr>
<tr><td>(2) Percentage grid electricity</td><td>95.3 %</td><td>96.4 %</td><td>95.2 %</td></tr>
<tr><td>(3) Percentage renewable</td><td>0 %</td><td>0 %</td><td>0 %</td></tr>
<tr><td rowspan="2">Water management</td><td>(1) Total water withdrawn<br>*For the fiscal year ending March 2022, only domestic results</td><td>3,440 m3 (*)</td><td>4,798 m3</td><td>4,145 m3</td><td rowspan="2">TC-SC-140a.1</td></tr>
<tr><td>(2) Total water consumed; percentage of each in regions with High or Extremely High Baseline Water Stress</td><td colspan="3">Percentage of use in areas with “extremely high” and “high” water stress is 0%.</td></tr>
<tr><td rowspan="2">Product life cycle management</td><td>Percentage of products by revenue that contain IEC 62474 declarable substances</td><td colspan="3">Percentage of sales generated from products containing substances subject to IEC 62474 declaration is 0%.<br>There is no use of IEC 62474 reportable substances in our Group’s products that exceeds the threshold value, nor is there any use of reportable applications or substances.</td><td>TC-SC-410a.1</td></tr>
<tr><td>Processor energy efficiency at the system level for (1) servers, (2) desktops and (3) laptops</td><td colspan="3">Not applicable.</td><td>TC-SC-410a.2</td></tr>
<tr><td colspan="2">Total production<br>(Disclosure of Total Production by Manufacturing Equipment Owned by the Company and Manufacturing Equipment with a Manufacturing Contract)</td><td>151,026 thousand units</td><td>159,068 thousand units</td><td>123,770 thousand units</td><td>TC-SC-000.A</td></tr>
<tr><td colspan="2" rowspan="2">Percentage of production from own facilities</td><td>0 %</td><td>0 %</td><td>0 %</td><td rowspan="2">TC-SC-000.B</td></tr>
<tr><td colspan="3">The Group outsources its manufacturing processes and does not produce at its own facilities.</td></tr>
</table>

4) Addressing human capital

a. Human capital strategy

The Company believes that fostering collaboration among diverse employees and organizations to mutually enhance capabilities will establish the groundwork for cutting-edge technology, global developmental competitiveness, and sustainable growth. This approach will bring us closer to fulfilling our mission: “Together with our global partners, we bring innovation to everyone everywhere.”

The Group views human resources as the source of corporate value and is committed to actively “fostering an environment that allows diverse human resources to maximize their capabilities and supporting their growth.”

(a) Human resource development

With our leading-edge SoC solution business, we at the Group seek to live up to the many expectations of our stakeholders (including customers, partners, employees, and local communities). We will do so by striving to achieve sustainable growth as a company that supports global innovation through the pursuit of advanced technologies. We undertake human resource development initiatives to foster more professionals who take ownership of their work and are willing to tackle challenges as enthusiastic self-starters.

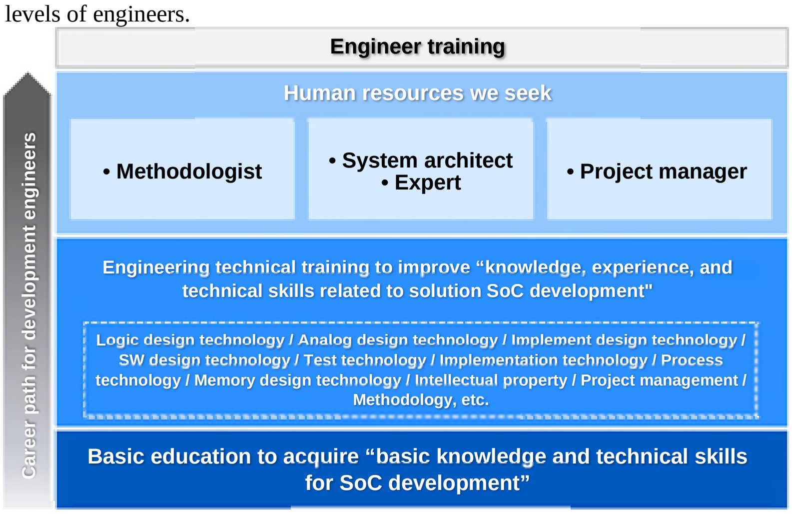
[Engineer training]

The Group considers the training of engineers to be one of its most important management issues.

Companies requiring their own SoCs are seeking a partner with expertise not only in SoC architecture, but also a deep understanding of the final products and services the SoC will be equipped with. The ideal partner should be capable of integrating advanced hardware and software technologies to deliver the optimal solution for differentiation. We believe that the realization of such a solution SoC business model will require the following engineering talent.

- Methodologists to maintain development competitiveness globally
- System architects who can propose and formulate optimal SoC architecture specifications based on customer requirements
- Experts in each field who can create implementation specifications and design from architectural specifications
- Project managers who earn the trust of customers and lead development smoothly to the goal

We believe that the value and innovation created by these engineers will be the foundation for the Group's sustainable growth. In order to strengthen this foundation, the Group has developed/implemented training programs for different levels of engineers.




From a mid- to long-term viewpoint, we expect to see further increases in overseas design wins and increased collaboration with global partners such as IP vendors, tool vendors, foundries, and OSATs that offer the latest technologies. In order to respond to these issues, we are strategically increasing opportunities for many engineers to participate in overseas business and cutting-edge technology business, and are accumulating and utilizing the know-how and experience gained by our engineers across the organization. We are also strengthening our training support system* for language and communication skills, which are indispensable for doing business with overseas customers and partners. As a result of these efforts, the number of engineers with experience in global projects increased to 82% of all engineers (up by 10% points from the previous year), and the number of engineers with experience in projects in advanced fields increased to 75% of all engineers (up by 14% points from the previous year).

As part of our engineer development program, we have a system where each engineer has a 1-on-1 meeting with his/her supervisor to share his/her career path plan and specific actions to achieve it, thereby supporting his/her personal growth.

*Programs for language and communication skills development

| | |
|---|---|
| For leaders | • Advanced communication skills (1-on-1 training)<br>• Global mindset training (group training)<br>• Group coaching training |
| For general employees | • Basic communication skills (group training)<br>• Global mindset training (group training)<br>• English language skills training<br>• Language training for new employees (group training) |
| All employees | • Strengthening basic English language skills (language training application) |

(b) Human rights, diversity and inclusion, health promotion/health and safety

The Group strives to foster a corporate culture that is welcoming of people with different personalities, attitudes, and values and in which they are able to fulfil their potential.

[Basic views]

| | |
|---|---|
| Human rights | In the Corporate Social Responsibility Guidelines, the Group's philosophy, we list "Respect for human rights" and "Establishing an improved work environment" as our important responsibility.<br><br>- Respect for human rights<br>We respect each individual's human rights, and do not discriminate or tolerate human rights violations.<br>- Establishing an improved work environment<br>We want our employees to be happy. We respect their individuality, treat them fairly and aim to create a healthy and comfortable work environment.<br><br>We respect the human rights of all stakeholders (customers, partners, employees, local communities, etc.) involved in our business activities and do not discriminate or violate human rights based on gender, age, nationality, race, ethnicity, ideology, religion, social status, employment status, marital status, pregnancy status, family origin, sexual orientation or gender identity, physical characteristics, disease, disability, etc.<br>We also respect the human rights of each and every person who works for the Group or in our supply chain. We will eliminate harassment, provide a healthy and safe working environment, comply with minimum wage and working hour laws and regulations, and will not engage in forced labor, child labor, or human trafficking. We also protect freedom of association and the right to collective bargaining and privacy. |
| Diversity & inclusion | The Group strives to foster a corporate culture that is welcoming of people with different personalities, attitudes, and values and in which they are able to fulfil their potential. The Group recruits and appoints staff regardless of factors such as nationality, gender, or age, and works to create an environment in which a diverse range of people can thrive in their work. |
| Health promotion/health and safety | In order for the Group to grow sustainably, we place the highest priority on the health and safety of our employees and related parties so that our employees can work in a healthy and safe manner and maximize their own potential. In order to realize a safe workplace free from industrial accidents, we will prevent accidents, create a safe working environment, and promote various initiatives to maintain and improve health. |

[Major initiatives]

| | |
|---|---|
| Systems and initiatives related to human rights, diversity and inclusion | • Establishment of a human rights consultation service<br>• Human rights training for all employees to participate in (including harassment prevention and understanding of LGBTQ+)<br>• Flextime work system with no core-time<br>• Flexible telecommuting operations<br>• Curbing long overtime work<br>• Recruitment and support of global talent<br>(e.g., hiring new graduates joining in October, global communication training programs, etc.)<br>• Review of post-retirement re-employment system<br>• Childcare leave system/shortened working-hour system for childcare<br>• Subsidy for babysitter fee<br>• Telecommuting program for nursing and caregiving<br>• Shorter working hours for treatment of illness or disease<br>• Leave of absence (child plans, nursing care, etc.)<br>• Accrued leave system (child-rearing, nursing care for the sick and elderly, etc.)<br>• Continued recruitment of people with disabilities and environmental improvements<br>• Operation of a massage room where employees with visual impairment offer massage services<br>• Routine in-house work substitution system for employees with mental disabilities<br>• Conduct a survey of environmental improvement for persons with disabilities and make improvement |
| Health promotion/health and safety systems and initiatives | • Implement health checkups, gynecological examinations, and stress checks<br>• Smoking cessation support<br>• Infection-prevention measures<br>• Workplace inspections by the safety, health and disaster prevention committee members<br>• Training program on safety and health for all employees |

b. Indicators and targets for human capital

The Group sets targets for major initiatives and manages progress toward these targets.

| Strategy | Indicator | Scope | Actual results | | | Target |
|---|---|---|---|---|---|---|
| | | | FY ended March 31, 2022 | FY ended March 31, 2023 | FY ended March 31, 2024 | |
| Human resource development (Engineer) | Percentage of global project experience | - | 60% | 72% | 82% | - |
| | Percentage of experience in advanced projects (7nm and below) | - | 47% | 61% | 75% | - |
| Diversity & inclusion (Securing and retention of human resources) | Number of people recruited | Domestic | New graduates: 33<br>Mid-career: 20 | New graduates: 12<br>Mid-career: 32 | New graduates: 26<br>Mid-career: 39 | Continue to recruit exceeding the FY March 2024 results |
| | Post-retirement re-employment ratio | Domestic | 85.5% | 90.9% | 89.3% | - |
| | Turnover rate | Domestic | 2.6% | 2.2% | 2.0% | Less than 2.5% |
| Diversity & inclusion (Human rights and compliance) | Percentage of female workers in managerial positions | Domestic | 2.4% | 2.3% | 2.6% | 3.4% or more<br>(*1) |
| | Percentage of female workers among new graduates | Domestic | 12.1% | 0.0% | 7.7% | 15% or more<br>(*1) |
| | Percentage of foreign national employees | Domestic | 2.1% | 2.2% | 2.0% | - |
| | Percentage of disabled persons employed | Domestic | 2.2% | 2.3% | 2.4% | 2.3% or more<br>Exceeding the legally mandated employment rate of persons with disabilities |
| | Wage differences between males and females | Domestic | All workers:<br>70.3%<br><br>Regular:<br>72.0%<br><br>Non-regular:<br>57.5% | All workers:<br>71.6%<br><br>Regular:<br>72.6%<br><br>Non-regular:<br>61.3% | All workers:<br>71.6%<br><br>Regular:<br>72.5%<br><br>Non-regular:<br>62.7% | We will enhance systems and programs to support employees' comfort, job satisfaction, and success in their work and improve them by promoting qualified employees to reasonably higher positions, regardless of gender or age.<br>(In the wage system, there is no difference in wages by gender or age for the same qualification grade. The main reason for the difference is the small percentage of women in higher positions and qualification grades) |
| | Wage differences between males and females (managerial positions) | Domestic | 95.1% | 95.4% | 91.6% | |
| | Compliance education e-Learning participation rate (*2) | Domestic | 100% | 100% | 100% | 100% |
| Diversity & inclusion (Work-life balance) | Percentage of male workers taking childcare leave | Domestic | 14.8% | 15.8% | 57.1% | 50.0%<br>(*1) |
| | Percentage of female workers taking childcare leave | Domestic | 100% | 100% | 100% | 100% |
| | Reinstatement rate | Domestic | 100% | 100% | 100% | 100% |
| | Total annual actual work hours | Domestic | 2,186 hours | 2,165 hours | 2,099 hours | Target at less than 2,000 hours. Reduce in stages (annual 1% reduction from the previous year) |
| | Percentage of employees taking paid leave | Domestic | 67.8% | 74.1% | 75.3% | 70.0% |
| | Percentage of cases where remote-work is applied (*3) | Domestic | 100% | 100% | 100% | - |
| Health promotion / health and safety | Implementation rate of stress check | Domestic | 87.4% | 85.8% | 83.2% | 100% |
| | Number of serious industrial injuries and accidents | Domestic | None | None | None | None |

*1: A target formulated under General Employer Action Plan required by the Act on the Promotion of Women's Active Engagement in Professional Life.
*2: e-Learning for compliance includes the following topics.
Compliance, information security, preventing insider trading, preventing harassment, the environment, procurement, and laws on security-related export controls, etc.
*3: Eligible employees (all employees except those in certain positions) may use remote work up to three times a week, and are encouraged to flexibly choose work locations and work efficiently.

c. Supply chain-wide initiatives

The Group believes that it is important to enhance sustainability throughout the entire supply chain. Recognizing that it is essential for not only the Socionext Group but also our partners to understand our policies and support our sustainable procurement activities, we have established the "Group CSR Procurement Guidelines" as a means of strengthening our supply chain CSR efforts.

In addition to clearly stating the items to be complied with in accordance with the RBA Code of Conduct *, including "human rights, diversity, climate change," etc., these guidelines also request our partners to engage in CSR activities. In order to confirm the implementation status of CSR activities by our partners, we conduct periodic surveys on "General CSR, environmental activities, information security, BCM, responsible mineral procurement," etc. Based on the results of this survey, we are working to build an optimal supply chain, by such measures as providing feedback to our partners for improvement as necessary.

* Abbreviation for Responsible Business Alliance Code of Conduct.

## 3 Business Risk Factors

Out of the factors listed in our annual securities report that relate to the company's business or financial information, the following are recognized by the Company managers as major risk factors that could potentially have a significant influence on the financial position, operating results, and cash flows on a consolidated basis.
The forward-looking statements contained in this report represent the judgment made by the Socionext Group as of the filing date and may not encompass all potential risks that could emerge in the future.

- Basic approach to risk management and its system

For the successful global expansion of its business activities, the Group needs to identify all risks arising from complex and diverse changes in the business environment at an early stage and take appropriate measures to realize its management and business strategies.
The Group systematically and continuously extracts and assesses risks, designating a responsible officer for each identified risk item, and then formulating and implementing corresponding countermeasures.
Furthermore, concerning these initiatives, we have implemented a system for regular reporting to the Board of Directors. This ensures the thorough examination of the comprehensiveness of assumed risks, the effectiveness of diverse measures, progress status, etc. We are working to enhance risk management, thereby minimizing the likelihood of risk occurrence and mitigating potential losses.

- Risks surrounding management and business

(1) Contract manufacturers

The Group allocates its management resources mainly to design and development, employing a fabless business model. This approach involves outsourcing the production of products, freeing the Company from substantial capital investment constraints and enabling agile business promotion. Production is outsourced to both domestic and overseas contract manufacturers, such as foundries and OSATs. Consequently, there are associated risks in this type of business as follows:

1) Limited number of contract manufacturers

The Group outsources semiconductor manufacturing to contract manufacturers in Taiwan, Japan, China, Singapore, South Korea, and others. Specifically, the Group may face constraints in securing contract manufacturers for its cutting-edge technology products and those demanding high quality and reliability, such as automotive products. In particular, we entrust a significant volume of products for the pre-process of semiconductor manufacturing to Taiwan Semiconductor Manufacturing Company Limited (TSMC). As a result, the supply of products to the Group's customers is affected by the policies of the contract manufacturers, as well as limitations arising from technical capabilities and manufacturing capacity. In the rapidly evolving semiconductor industry, the Group may encounter challenges in outsourcing production to contract manufacturers if they fail to keep pace with technological advancements or if raw material and fuel prices soar. However, there is no assurance that the Group will successfully secure a new contract manufacturer in a timely and reasonable manner, given constraints such as contract terms, business relationships, and customer preferences. Furthermore, the Group's product supply may encounter delays if a contract manufacturer is constrained by insufficient water, energy or wastewater treatment capacity for semiconductor manufacturing.
While the Group is well-prepared for unforeseen circumstances, including securing multiple contract manufacturers, the rapid shifts in the industry environment, geopolitical factors, and technological innovations inherent in the semiconductor industry restrict its ability to accurately forecast future demand. Should delays or interruptions in product supply arise due to limited manufacturing capacity, there is a risk of the Group's reputation deteriorating, and customers may file claims for damages. As a result, the Group's business, financial position and operating results may be adversely impacted.

2) Prices for contract manufacturing

Given the Group's limited number of contract manufacturers and the absence of long-term contracts with them, the Group is susceptible to cost increases in contract manufacturing. These escalations may arise due to production capacity constraints, soaring raw material and fuel prices, labor costs, foreign exchange fluctuations, and other relevant factors. As contracts between the Group and its customers typically lack provisions for adjusting prices in response to price increases initiated by contract manufacturers, the failure to properly pass on these increases to customers can lead to a substantial reduction in the Group's profit margin. Under such conditions at contract manufacturers, the Group's business, financial position and operating results may be adversely impacted.

3) Product quality

The Group's products may be susceptible to yield reduction or product defects attributable to the performance of contract manufacturers. Detecting these issues early in the manufacturing process is challenging, and rectifying them can require a substantial investment of time and financial resources. In such a case, transferring production to another contract manufacturer or site becomes difficult due to the absence of viable alternatives or the substantial investment of time and financial resources required for the transfer.
In the event of yield reduction, product defects, or other manufacturing issues affecting the Group's products, customers may file claims for damages arising from delays, an inability to supply the products, or project cancellations. Addressing such a claim, even if not approved, will demand a considerable investment of time and financial resources. In addition, it may be difficult to claim reimbursement from any contract manufacturer even if the issue is attributable to them. For this reason, the Group's business, operating results, financial position, brand image, and social credibility may be adversely impacted.

(2) Design and development of Socionext Group products

The Group's products are designed and developed for manufacturing following the acquisition of design wins. However, the duration from design and development to the completion of customer evaluation can extend up to 2 years or longer. Throughout this period, shifts in the market environment for semiconductors and final products, alterations in customer strategy and demand, the introduction of new technologies to the market, and changes in manufacturing capacity or workload of contract manufacturers may lead to specification changes or project cancellations by customers. In addition, there is a possibility that the development of products meeting customer requirements or their manufacture at prices and quantities acceptable to customers may prove to be unsuccessful. In the event of a project cancellation during the design and development stage, no product revenue will be generated.

Moreover, although the Group usually receives the majority of design and development costs from customers as NRE revenue during this stage, if a project is terminated at the design and development stage as mentioned earlier, the Company may face challenges in collecting NRE revenue for the remaining period. Additionally, NRE revenue may not fully offset all the costs incurred during the design and development stage, potentially leading to losses on certain projects. Furthermore, product revenue accounts for the majority of the Group's net sales, and the scale of each project tends to grow in the Group's focus areas. Consequently, alterations in product prices or quantities, as well as delays or cancellations of certain projects, will exert a greater impact on the Group's future operating results. Accordingly, the cancellation of an important project or multiple projects during the design and development stage could have a material adverse impact on the Group's business, financial position and operating results.

(3) Mass production of Socionext Group products

Upon completion of the design and development, the product will advance to the mass production stage. While the unit price of the product has been agreed upon with the customer at the time of the acquisition of design win (although it is subject to change due to specification alterations), the quantity of the product is not pre-determined. It will be established through individual orders from the customer at the mass production stage. Hence, there is no assurance that the customer will purchase the quantity of the product during mass production as initially anticipated by the Group at the time of acquiring the design win. Therefore, if the expected quantity is not materialized in mass production, the Group's business, financial position and operating results may be adversely impacted.

(4) Socionext Group management targets

As described in the above "(3) Key indicators to assess the achievement of management targets" in "1. Management Policy, Business Environment, and Issues to be Addressed," the Group regards the "design win amount" and the "design win balance" as important management indicators. The calculation of the design win amount and the design win balance involves a substantial reliance on forward-looking projections and subjective judgments by the Group, including assumptions and estimates related to development plans, development costs, NRE revenue, product unit prices, and future product sales volumes (the price is subject to change due to specification alterations; however, a mutual agreement will be reached at the acquisition of the design win), as well as estimates on the product's sales availability and the probability of order cancellations. The sales volume of the product is determined through a combination of factors, including the initial quantity estimate provided by the customer, the Group's independent forecast derived from historical transactions with the customer, market data obtained from third parties, and other relevant information. However, constraints stemming from manufacturing capacity, such as order restrictions imposed by the contract manufacturer, are not taken into consideration. As such, the Group calculates the design win amount and design win balance using its distinctive method. Therefore, comparisons with similar indicators used by other companies may not be appropriate, and such indicators should not be considered dependable for comparing the current and future performance of the Group and other companies. While the Group has established internal procedures for review by the monitoring division and approval by management to prevent overstated estimates on the amount and balance of acquired design wins, the effectiveness of these procedures cannot be guaranteed. In addition, the design win amount acquired in a given period is a reflection solely of the Group's assumptions and expectations at the end of that period and has not been updated to account for subsequent cancellations, actual sales recorded in connection with such projects, or changes in the development process, the Group's expectations of future product sales volume, product unit price, manufacturing capacity, or other factors that may occur ex post. which may render year-to-year comparisons inappropriate. The design win balance is updated on a monthly basis to incorporate these factors. However, despite these updates, it remains an estimate at the time of the update, and there is no assurance of the accuracy of these estimates. The Group may change the method of calculating the amount and balance of acquired design wins in the future, and it has done so in the past.

Due to these limitations, the amount and the design win balance are not indicative of the Group's projected future performance and may differ materially from actual sales.

(5) Assumptions used in business planning

In order to respond to daily changes in market conditions and achieve sustainable growth, the Group is implementing various measures aimed at formulating and executing business plans while enhancing its organizational strength. In formulating these business plans and various measures, certain assumptions are made about the business environment, including market trends in semiconductors and final products. These assumptions include, for example, that the Group will continue to acquire design wins in its focus areas with growth potential, that the design win amount and the balance of them will be realized as NRE revenue and product revenue in accordance with demand forecasts, that the manufacturing capacity of contract manufacturers will be secured as expected by the Group, and that exchange rate fluctuations will remain within a certain range. However, should these assumptions diverge from reality, it may be difficult to implement various measures and achieve management indicators in the Group's business plans. This, in turn, may have an adverse impact on the Group's business, financial position and operating results.

(6) Key customers

The Group has acquired design wins in the areas of automotive, data center & networking, smart devices and industrial equipment. The proportion of sales to key customers in these areas is expected to increase in the future. However, sales to key customers may fluctuate significantly due to the timing and scale of the design wins, product revenue resulting from the design wins, diversification of the Group's customer base, changes in consumer preferences, industry trends, changes in laws and regulations, natural disasters, and other factors. Transactions with customers in the Group are based on individual purchase orders. As customers have no long-term purchase obligations, there is no assurance that they will purchase the quantities anticipated by the Group. Key customers may postpone or halt the market introduction of their final product. They may also cease adopting the Group's products if the functionality and performance, or development schedule of the Group's products fail to meet their requirements. Key customers may decrease their orders for the Group's products or defer delivery dates if their final products, which incorporate the Group's products, experience poor sales. Furthermore, the Group's key customers may reduce their purchases of the Group's products in response to a decline in their competitiveness or as a result of M&A or alliances. Additionally, they may seek to revise the terms of the agreements with the Group in their favor. These factors may adversely impact the Group's business, financial position and operating results.

(7) Overseas business activities

The Group's customers span diverse global regions, prompting the establishment of sales offices in key areas of the United States, Europe, and Asia. This approach allows the Group to tailor its sales activities to align with the unique characteristics of each region. We recognize the inherent risks associated with international business operations, including geopolitical stability, political and economic conditions specific to each country, potential delays in overseas transportation and production, escalating costs, fluctuations in foreign exchange rates, newly established or amended laws and regulations pertaining to foreign capital controls and intellectual property rights, etc., as well as changes in taxation systems. The manifestation of these risks may adversely impact the Group's business, financial position and operating results.

(8) Economic conditions

The Group has experienced the impact of global economic trends, variations in end-product demand, technological innovations, product obsolescence and price declines, as well as market fluctuations within the semiconductor industry. Currently, the uncertainty in economic conditions is heightened by escalating interest rates due to monetary tightening policies across different countries and advancing inflation. Although there has been a recent upswing in demand for semiconductors, there is no assurance that this growth will be sustained at the same level or maintain its current strength in the future. The Group's business, financial position and operating results may be adversely impacted in stagnant or declining economic conditions.

(9) Exchange rate fluctuations

The Group engages in design, development, manufacturing, and sales activities on a global scale, with a substantial portion of its revenue derived from overseas. Therefore, the Group is exposed to exchange rate fluctuations, especially in the U.S. dollar. While the Group is actively working to mitigate the impact of exchange rate fluctuations, completely eliminating such impact is not feasible. Consequently, depending on the dynamics of exchange rate fluctuations, the Group's operating results and financial position may be adversely affected by the impact on net sales from transactions in foreign currencies, as well as design and development, manufacturing and marketing costs denominated in foreign currencies.

(10) Competition

While we recognize the uniqueness of the Group's custom SoC development and supply business model with few direct competitors, we are competing with vendors involved in traditional ASICs, general-purpose ASSPs, and ASICs designed by ASSP vendors in individual design wins.

The Group's semiconductor products and services are mainly employed in a variety of electronics products that demand advanced technologies. As a result, the Group is exposed to intense market competition driven by the rapid evolution of technology in this field. Competition may intensify due to such factors as enhanced design and development capabilities of competitors, the emergence of new entrants from different industries, the expansion of in-house SoC development among tech giants, development trends among traditional ASIC and general-purpose ASSP vendors, customer preferences and demand, preferential treatment of local companies by governments, and integration and alliances among competitors. In addition, while we recognize the Group's current superior position in the automotive area among the Group's focus areas, there is a possibility that maintaining this position may be challenging, given factors such as technological innovations and aggressive strategies employed by other companies. On the other hand, in existing markets such as data centers and networking, where competition is more intense, the Group strives to secure additional design wins by leveraging its strength in providing more optimal custom SoCs for customers through collaborative development, and by investing in R&D for cutting-edge areas and offering diverse products. Nevertheless, the effectiveness of these measures is not guaranteed.

(11) Geopolitical risk

In recent years, the Group's semiconductors have been recognized as vital products for economic security. However, the imposition or reinforcement of export control regulations, tariffs, sanctions, and similar measures by countries in response to emerging geopolitical risks such as the U.S.-China trade friction and the Russian invasion of Ukraine, or heightened concerns about the Taiwanese contingency, could lead to a decline in demand for the Group's products in its key sales areas, reduced competitiveness, and a disruption or delay in supply chains. As a result, the Group's business, financial position and operating results may be adversely impacted. Given a certain scale of shares in net sales in China within the Group and the large portion of manufacturing outsourced to TSMC, the emergence of geopolitical risks in these regions may have a material adverse impact on the Group's business, financial position and operating results.

(12) Research and development activities

The semiconductor industry in which the Group operates is undergoing rapid technological innovation, which introduces the possibilities of the obsolescence of existing technologies, the emergence of new markets, and the contraction of existing markets. In this industry, the development of new products that fulfill stricter customer demands and their manufacturing at prices and quantities acceptable to customers require substantial R&D costs. Without the mitigation of these costs through the acquisition of design wins and future product revenue, the risk of incurring losses may become imminent. The Group intends to further engage in proactive R&D activities. However, if the Group fails to respond to such technological innovations, resulting in a decline in the Group's market share and product prices, or if R&D costs increase due to an inability to streamline R&D activities, the Group's business, financial position and operating results may be adversely impacted.

(13) Impact of the global spread of infectious diseases

If business activities are prohibited or restricted due to the spread of COVID-19 or other infectious diseases in regions, such as Taiwan, where the Group, the Group’s contract manufacturers and suppliers in the supply chain operate, unforeseen events including plant closures and production stoppages at contract manufacturers, associated delays in manufacturing and transportation, and restrictions on material procurement could potentially decrease demand for the Group’s products and restrict its supply capacity. Moreover, there is a risk of the deterioration of business conditions among the Group’s suppliers and potential disruption to public and private business infrastructure, including telecommunications, finance, and supply chains.

(14) Impact of disasters or other emergencies

The Group engages in design, development, manufacturing, and sales activities not only in Japan but also internationally. In the event of a large-scale earthquake, tsunami, drought, storm, flood, heavy rain, volcanic eruption, or any other natural disaster, fire, power failure, epidemic of infectious disease, war or conflict, terrorist act, political or social disturbance, security breach, computer system failure, or any other accident or incident in any of the regions where the Group operates, substantial damage could be inflicted on the Group’s business sites, its contract manufacturers, suppliers, customers, and other entities involved in the supply chain. In particular, the Group outsources a large portion of its manufacturing operations to TSMC, based in Taiwan. Should such a disaster occur in Taiwan, the manufacturing and supply of products may be adversely impacted.

The Group has established norms and regulations related to business continuity, with the aim of preventing and avoiding risks, ensuring the safety of human life during a disaster, controlling and mitigating damage, preventing secondary disasters, and expediting the resumption of operations. The Company has implemented risk mitigation measures; however, there is no assurance regarding their effectiveness, and this may adversely impact the Group’s business, financial position, and operating results.

(15) Financing

The Group must make ongoing investments in research and development to advance new technologies and products. While the Group has primarily financed its operations through cash flows from operating activities so far, it intermittently considers securing funds based on performance, funding requirements, market conditions, and associated forecasts. However, there is no assurance that the Group will secure the required funds for its future financing needs in a timely manner and under acceptable terms. There is also a possibility that the Group may encounter challenges in securing funds on favorable terms due to financial market turmoil, changes in the monetary policies of central banks, including the Bank of Japan, a downturn in the semiconductor industry, changes in the lending policies of financial institutions, and a potential decline in the Group’s creditworthiness. Consequently, financing costs may escalate, leading to the inability to carry out timely and appropriate research and development, as well as various essential investments.

(16) M&A, joint ventures, etc.

In the semiconductor industry, mergers, acquisitions, and alliances are commonly undertaken. The Group may engage in mergers, acquisitions and alliances to secure technology and significant customers, broaden its business scope, bolster competitiveness, and enhance profitability. However, there is no assurance that the Group will successfully identify a suitable target company or partner. In addition, due diligence may not uncover significant issues, and restrictions on business activities stemming from competition laws and other regulations may impede the Company from achieving the expected outcomes. In such cases, there may be an impairment to shareholdings and goodwill, giving an adverse impact to the Group’s business, financial position, and operating results.

(17) Intellectual property

The Group develops and possesses diverse technologies and expertise to differentiate its products from those of other companies. The Group safeguards these technologies and expertise as intellectual property. To avoid the risk of intellectual property being leaked or misused, the Group has implemented measures such as assigning information management to an exclusive division, executing confidentiality agreements with employees, and regulating access to offices and facilities for third parties, and so forth. However, in certain regions, there is a lack of adequate protection for intellectual property. Despite the measures implemented, the Group’s intellectual property may still be acquired or exploited improperly by competitors. Additionally, certain products of the Group are manufactured and sold under licenses obtained from third parties. There is a potential risk that the Group may face challenges in obtaining the necessary licenses from them, or may be constrained to use licenses under unfavorable conditions. Moreover, the semiconductor industry is characterized by a multitude of patents, with the continuous and rapid application of new patents. If the Group or its customers infringe upon the rights of a third party, despite a prior investigation, the third party may bring an intellectual property lawsuit against the Group or its customers. This legal action may result in the Group losing access to crucial technology. If found liable, the Group may face substantial damages. Even if not deemed liable, responding to the lawsuit may still involve significant expenditure of time, financial resources, and other management resources.

(18) Product liability

The Group is implementing various quality control measures to ensure optimal quality. However, given the sophistication of the technology employed in the Group’s products and potential defects arising from contract manufacturers, there is a possibility of defects or abnormalities that may go undetected at the time of shipment. These issues may only be discovered after the products have been shipped to customers. In this case, there is a possibility of incurring substantial costs arising from product collection, replacement, suspension, etc., a risk of facing legal action for damages by the customer concerned, and potential loss of future orders from the customer or others.

Also, depending on how the Group’s products are incorporated into the final product sold by its customers to end users, the Group may be held liable by end users. Customers are using the Group’s products in various ways, some of which the Group had never initially expected. Issues may surface only after the Group's products are integrated into customers' products. In such cases, the Group may also be subject to claims by the end user. In anticipation of such events, the Group has secured product liability insurance and recall insurance. However, there is no assurance that these policies will comprehensively cover the substantial costs and damages the Group may need to bear.

(19) Recruitment and retention of human resources

To ensure the Group's competitive advantage in a challenging business environment, it is important to secure talented personnel in the areas of management, business management, design and development, manufacturing technical support, and sales. However, the availability of highly specialized and talented human resources is limited, and the competition to recruit and retain such personnel is intensifying. Engineers play a crucial role in the design and development of the Group's custom SoCs, in particular. The Group's inability to recruit and retain a sufficient number of talented individuals, including engineers, may negatively impact the design and development process. Further, the movement of highly specialized and talented personnel from the Group to competitors may undermine the Group's competitive advantage due to the leakage of the Group's knowledge and expertise. For this reason, the Group's business, financial position, operating results, brand image, and social credibility may be adversely impacted.

(20) Information security

The Group employs a range of information systems across all its business activities. System failures may arise from disasters, wars, terrorist acts, computer virus infections, cyber attacks, and other potential risks. Additionally, with shifts in working styles, such as a rise in the number of employees working from home, there is an increased risk of encountering new cyber-attacks and other threats. When these risks accompany the disruption of the Group's business activities, contract manufacturing and supply, crucial data loss, substantial response costs incurred, and other challenges, the Group's business, financial position, operating results, brand image, and social credibility may be adversely impacted.

In addition, the Group possesses a substantial amount of confidential and personal information pertaining to itself, its customers, and other third parties associated with the implementation of its business activities. The Company has established a security system and manages such information in accordance with laws and internal regulations. However, given the diverse and undetectable methods of fraud and sabotage, coupled with the potential for intentional leakage by persons concerned, preventive measures may not be effective, leading to the possibility of information leakage through unforeseen events. In the event of such a situation, the Group's business, financial condition, and operating results may be adversely impacted by the loss of trade secrets, diminished competitiveness, erosion of customers' trust and social credibility, as well as the necessary costs for system repairs and other measures, along with potential claims for damages from customers.

(21) Environment

The Group is subject to various environment-related laws and regulations around the world concerning air pollution, water pollution, hazardous substances, waste treatment, product recycling, global warming prevention, energy conservation, and more. While the Group conducts its business operations in strict adherence to these regulations, whether through negligence or not, the organization may bear legal or social responsibility for environmental issues, including those from the past. In the event of such circumstances, there is the potential for substantial costs associated with addressing these problems, the risk of business cessation, and the possibility of a decline in the Group's social credibility. Additionally, in the future, with more stringent environmental regulations and social requirements, the business activities of the Group and its contract manufacturers may be restricted, and the cost of adhering to such regulations may increase. Failure to adequately comply with environmental regulations and social requirements may not only pose a risk to the social reputation and credibility of the Group but may also adversely impact the Group's business, financial position and operating results.

(22) Regulatory

The Group operates on a global scale and is subject to various laws and regulations concerning security, foreign trade management, labor, competition policy, taxation, anti-corruption, and environmental protection in the countries and regions where it conducts its operations. The Group has established an internal system necessary for developing a compliance framework for relevant laws and regulations and for optimizing business operations. However, there is no assurance that this system will function properly, and the establishment or modification of such laws and regulations may present difficulties in maintaining compliance. Violations of these laws and regulations may lead to civil damage claims against the Group and result in criminal or regulatory penalties. Such consequences may adversely impact the Group's business, financial position, operating results, brand image, and social credibility.

(23) Litigation

Given the Group's global operations, there is a risk of legal actions from suppliers, employees, competitors, and other stakeholders, pertaining to breaches of contract, labor issues, or infringement of intellectual property rights in various countries or regions. Additionally, the Group may be susceptible to regulatory actions or dispositions. In the event of lawsuits, legal proceedings, or investigations by authorities leading to an adverse decision against the Group, the details of such a decision may adversely impact the Group's business, financial position, operating results, brand image, and social credibility.

(24) Internal controls & governance

The Group has established a system for the development, operation and evaluation of internal controls over financial reporting. Nonetheless, if the internal controls prove ineffective, or if deficiencies in internal controls over financial reporting or material deficiencies requiring disclosure arise, it may erode confidence in the Group's internal controls. This loss of confidence may lead to a material adverse impact on the stock price or may result in violations of laws and regulations, administrative actions, or claims for damages, thereby giving an adverse impact on the Group's business, financial position, and operating results.

(25) Distributors

The Group has the option to sell and acquire design wins through its distributors. In particular, we conduct substantial transactions through KAGA FEI Co., Ltd., an enduring distributor of the Group, and its subsidiaries. Hence, any suspension of the distributor’s business activities or disruptions in transactions with them could have an adverse impact on the Group’s business, financial position, and operating results.

## 4 Management Analyses of Financial Position, Operating Results and Cash Flows

(1) Overview of operating results, etc.

An overview of the financial position, operating results, and cash flows (hereafter referred to as “operating results, etc.”) of the Group (the Company, its consolidated subsidiaries and an affiliate accounted for by the equity method) is as follows:

1) Financial position and operating results

a Operating results

During the fiscal year ended March 31, 2024, the global economy has continued to slow down, due to increased global instability, exacerbated by factors such as the prolonged Russian invasion of Ukraine and the escalation in Middle East tensions. In addition, factors which include strong inflationary pressures globally, persistently high interest rates primarily in the U.S. and Europe, and stagnant domestic demand in China, have resulted in downward pressures on economic activity. As such, the global economy continued to experience high levels of uncertainty and remained at a low growth rate. Furthermore, differences in monetary policies among countries and other factors have resulted in a continuous depreciation of the Japanese yen.

The semiconductor market continued to experience weak demand due to inventory adjustments of final products starting in the second half of the previous fiscal year and bottomed out in the first half of the fiscal year under review, but remained sluggish for some time. From the second half of the fiscal year under review, demand gradually improved and the market as a whole showed a gradual recovery, with only single-digit annual growth. On a product-by-product basis, growth in most product categories, particularly memory chips and microprocessors, was negative compared with the previous fiscal year, but the logic semiconductor that the Group focused on showed positive growth. By application, demand fell mainly for smartphones and personal computers, but among the Group’s focus areas, growth was positive particularly in the data center & networking area and the automotive area compared with the previous fiscal year. In these areas, demand for semiconductors using cutting-edge technologies is increasing.

At the Group, we have been progressing with transforming our business model, and shifting focus areas to high-growth and cutting-edge business areas where more global large-scale business is expected, and also carrying out structural reform including bold transformation in our business structure. This has all been implemented by the current CEO since his appointment in April 2018. As a result, we have been acquiring more design wins in our focus areas including automotive, data centers & networking, and smart devices. We have acquired design wins amounting to roughly 200 billion yen during each of the fiscal years ended March 31, 2020, 2021 and 2022, an increase from the design win amount of roughly 100 billion yen for the fiscal year ended March 31, 2019, through the transformation. Furthermore, from the fiscal year ended March 31, 2023, we have been further achieving design wins amounting to 250 billion yen (1 U.S. dollar = 100 yen). In addition, the design wins which have been acquired have gradually entered the mass production phase and started contributing to an expansion in sales. Moreover, we are also proceeding with our next stage of transformation, which we call the Phase 2 transformation. This phase is aimed at establishing a competitive R&D structure and creating a business culture that is suitable for a multinational company. We are intensifying our efforts to transform our corporate systems, organizational structures, and employee awareness through ongoing communication with global customers, players that comprise the semiconductor ecosystem, investors and other parties.

In April 2023 we established the Global Leading Group as an organization dedicated to building an R&D platform through model projects undertaken in areas involving large-scale advanced technology. We have been continuously improving by integrating several key activities: establishing a computer-architecture-based design and development platform along with standard design and development processes that are suitable for our Solution SoC business model, and enhancing both the efficiency and visibility of these processes, along with reforms in terms of design and development management. Moving forward, we will continue to actively enhance our development of advanced technologies. Moreover, we opened the new branch office in Bengaluru, India, under our subsidiary Socionext America Inc. in August 2023 to strengthen our global design and development capabilities.

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

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

Our research and development consists of both upfront development in advanced technologies for acquiring design wins in our focus areas and investments in product development linked to acquired design wins. During the fiscal year under review, our research and development costs increased 8% from the previous period to 53,279 million yen. This was mainly due to the increase seen in terms of product development for design wins acquired. Because the ecosystem continues to grow in complexity and flexibly, and to utilize the latest advanced technologies, we regularly work with multiple partners and actively proceeded to work on advanced technologies including 2nm and finer process nodes, advanced packaging technologies such as chiplets, application of the latest EDA tools as well as platformization. In October 2023, we announced a project with Arm Holding plc and Taiwan Semiconductor Manufacturing Company Limited (TSMC) for a 2nm multi-core CPU chiplet PoC (Proof of Concept) and the launch of the development of an SoC for advanced ADAS and autonomous driving using a 3nm on-board process. In the future, we will engage in advanced technologies including the development of SoCs using 2nm or finer process nodes and the development of chiplet technologies as well as in the adoption of AI for design and development process.

The consolidated net sales for the fiscal year ended March 31, 2024, were 221,246 million yen, an increase of 14.8% compared with the previous fiscal year. Our net sales consist of NRE revenue received from customers based on costs incurred in scheduled milestones during the design and development process, and product revenue from the applicable products that have entered the mass production stage. NRE revenue for the fiscal year under review was 37,609 million yen, an increase of 7.9% from the previous fiscal year. This increase was due to a greater proportion of NRE revenue from advanced technologies finer than 7nm, which were derived from active design wins in the automotive area. Product revenue increased by 16.7% from the previous fiscal year, to 182,876 million yen. This was due to the fact that design wins acquired in or after 2019 have entered the mass production stage including 7nm products in the automotive application market.
Cost of sales was 111,243 million yen (up 7.0% year-on-year), selling, general and administrative expenses were 74,493 million yen (up 11.0% year-on-year), and operating income was 35,510 million yen (up 63.6% year-on-year). In addition, with foreign exchange gain recorded in non-operating income, ordinary income was 37,122 million yen (up 58.4% year-on-year) and profit attributable to owners of parent came to 26,134 million yen (up 32.2% year-on-year). The increase in operating income was due mainly to the rise in gross profit brought by the increased product revenue and the improved manufacturing cost ratio.
The impact of the yen's depreciation on business results was an increase of 11.7 billion yen in net sales and 2.5 billion yen in operating income compared with the previous fiscal year.
The average exchange rate for the U.S. dollar during the fiscal year under review was 144.6 yen, a depreciation of the Japanese yen by 9.1 yen from the previous fiscal year.

Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

b Financial position
(Assets)
Current assets as of March 31, 2024, decreased 17,166 million yen from the end of the previous fiscal year, to 138,901 million yen. This was mainly due to decreases in inventories and accounts receivable-other due to increased product revenue and less upfront customer-requested procurement. On the other hand, cash on hand and in banks increased due to progress in collecting accounts receivable-trade and funds received for exercise of stock options.
Non-current assets as of March 31, 2024, increased 10,061 million yen from the end of the previous fiscal year to 47,939 million yen. The increase was due mainly to the acquisition of reticles, IP, etc. in connection with product development of acquired design wins, and the expansion of data centers in accordance with increasing development scale.
As a result, total assets as of March 31, 2024, decreased 7,105 million yen from the end of the previous fiscal year to 186,840 million yen.

(Liabilities)
Current liabilities as of March 31, 2024, fell 29,244 million yen from the end of the previous fiscal year to 53,094 million yen. This was due mainly to decreases in accounts payable-trade and accounts payable-other due to less upfront customer-requested procurement.
As a result, total liabilities as of March 31, 2024, were down 28,261 million yen from the end of the previous fiscal year to 55,820 million yen.

(Net assets)
Net assets as of March 31, 2024, increased 21,156 million yen from the end of the previous fiscal year to 131,020 million yen. This was mainly due to an increase in retained earnings resulting from the posting of 26,134 million yen in profit attributable to owners of parent and 4,766 million yen paid upon exercise of stock options.
As a result, the shareholders' equity ratio came to 70.1%, up 13.5 percentage points from the end of the previous fiscal year.

2) Cash flows
Cash and cash equivalents as of March 31, 2024, increased 24,602 million yen from the end of the previous fiscal year, to 69,738 million yen. Cash flows for each activity for the fiscal year ended March 31, 2024, were as follows:

Net cash provided by operating activities was 52,882 million yen (18,019 million yen in the previous fiscal year). This was mainly due to profit before income taxes of 37,122 million yen, depreciation and amortization of 13,396 million yen, and a decrease in accounts receivable-trade of 8,379 million yen due to progress in collecting accounts receivable, despite income taxes paid of 10,739 million yen.

Net cash used in investing activities was 23,155 million yen (19,725 million yen in the previous fiscal year). This was due mainly to purchases of property, plant and equipment of 11,879 million yen including reticles and test boards for product development related to acquired design wins, as well as those for improving the design and development environment, and the purchases of intangible assets of 11,187 million yen including IP.
Net cash used in financing activities was 6,624 million yen (333 million yen in the previous fiscal year). This was due mainly to proceeds of 4,766 million yen from the exercise of stock options, while cash dividends paid totaled 11,160 million yen.

To respond to increasing needs for working capital due to increased product revenue, as well as to address a global economic slowdown and rising geopolitical risks, the Company concluded a commitment line agreement of 20 billion yen. As of March 31, 2024, the commitment lines of a total 20 billion yen were unused.

3) Production, orders received, and sales
Production, orders and sales for the fiscal year ended March 31, 2024, are presented below.

Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

a Actual amounts of production

The Group operates on a fabless business model, outsourcing the manufacturing of products to contract manufacturers (foundries and OSATs). Considering that the Group's products are primarily custom-designed and exclusively tailored to meet specific customer requirements for integration into their products, we adopt a manufacturing-to-order approach. As a result, production results are generally aligned with sales performance and are consequently omitted from reporting.

b Actual amounts of orders received

The Group initiates the design and development process upon receiving orders for such work following the acquisition of design wins. After completing the development phase, samples are manufactured and supplied to customers for evaluation. Following the commencement of design and development, sales related to the corresponding work outlined in customer orders are recorded in stages until the completion of customer evaluation. Upon customer confirmation of satisfactory product performance, the product advances to the mass production stage. The Group, in a manner where the customer assumes responsibility for product procurement, then receives orders for the mass production of the product. The actual production is outsourced to contract manufacturers. Orders received and outstanding orders for design, development, and mass production for the fiscal year under review are presented below. Regarding orders for mass production, products are typically shipped within a year, and relevant sales are periodically recorded. However, in light of recent semiconductor shortages and other factors, customers are placing orders earlier than usual to secure and build up inventory. As a result, the shipment of ordered products may extend beyond one year. The calculation method and reference time point for the following orders received and outstanding orders are different from those used to calculate the amount and balance of acquired design wins, which serve as the Group's management indicators.

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Orders received (million yen) | 180,018 | 114,307 | (36.5)% |
| Outstanding orders (million yen) | 256,897 | 175,124 | (31.8)% |

c Actual amounts of sales

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Net sales (million yen) | 192,767 | 221,246 | 14.8% |

Note: Sales by major counterparty and the corresponding ratio to total sales

- Sales to CRS TECHNOLOGY Co., Ltd. and the corresponding ratio to total sales in the fiscal year ended March 31, 2023, and the fiscal year ended March 31, 2024, were 35,779 million yen, accounting for 18.6%, and 60,171 million yen, accounting for 27.2%, respectively.
- Sales to KAGA FEI Co., Ltd. and the corresponding ratio to total sales in the fiscal year ended March 31, 2023, and the fiscal year ended March 31, 2024, were 57,178 million yen, accounting for 29.7%, and 56,408 million yen, accounting for 25.5%, respectively.

(2) Views and issues analyzed/discussed with regard to the status of operating results, etc. from the management's perspective

Views and issues analyzed/discussed with regard to the status of operating results, etc. from the management's perspective within the Group are presented below.

The forward-looking statements in this section are based on the estimates and assumptions as of the filing date of this annual securities report.

1) Views and issues analyzed/discussed with regard to the status of operating results, etc.

a. Net sales

For the current fiscal year ended March 31, 2024, net sales increased to 221,246 million yen, up 14.8% from the previous fiscal year. Of this amount, "product revenue" accounted for 182,876 million yen, up 16.7% from the previous fiscal year. The increase was due to the shift to the mass production phase of design wins in focused areas acquired after the shift in business models and business domains, including the start of mass production of 7nm products for the automotive industry. Further, unexpected short-term special demand from a Chinese customer, and the depreciation of the Japanese yen during the fiscal year ended March 31, 2024, also contributed to the increase in product revenue. "NRE revenue" increased to 37,609 million yen, up 7.9% from the previous fiscal year. NRE revenue increased as a result of active development of advanced technology projects brought by strong design win acquisition in the automotive sector. In the future, product revenue is expected to increase when the product moves to the mass production stage upon completion of development and subsequent customer evaluation. "Others" decreased due to a decline in revenues from the transfer and licensing of intellectual property and other assets.

- Financial indicators

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Product revenue (million yen) | 156,751 | 182,876 | 16.7% |
| NRE revenue (million yen) | 34,867 | 37,609 | 7.9% |
| Others (million yen) | 1,149 | 761 | (33.8)% |
| Total (million yen) | 192,767 | 221,246 | 14.8% |

b. Cost of sales, selling, general and administrative expenses, and operating income

1) Cost of sales

For the current fiscal year ended March 31, 2024, cost of sales was 111,243 million yen and gross profit was 110,003 million yen (up 23.8% from the previous fiscal year). This was brought by increases in gross profit mainly due to increases in product revenue and NRE revenue. The cost of sales ratio dropped due to the decrease in temporary costs in securing the capacity of contract manufacturers and changes in the product composition.

- Financial indicators

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Cost of sales ratio | 53.9% | 50.3% | (3.6) percentage points |
| Gross profit (million yen) | 88,845 | 110,003 | 23.8% |

Note: The calculation method for each indicator is as follows:
Cost of sales ratio: Cost of sales/Net sales × 100

2) Selling, general and administrative expenses

Selling, general and administrative expenses for the fiscal year ended March 31, 2024, were 74,493 million yen, an increase of 7,359 million yen from the previous fiscal year. This was attributable to an increase of 3,955 million yen in research and development costs from the previous fiscal year, reaching 53,279 million yen, as a result of notable advancements in design wins. Selling, general and administrative expenses, excluding research and development costs, were 21,214 million yen, an increase of 3,404 million yen from the previous fiscal year.

3) Operating income

Operating income for the fiscal year ended March 31, 2024, was 35,510 million yen, an increase of 13,799 million yen from the previous fiscal year. This was mainly due to an increase in net sales and the impact of the yen's depreciation. The average exchange rate for the U.S. dollar during the fiscal year under review was 144.6 yen, a depreciation of the Japanese yen by 9.1 yen from the previous fiscal year.

- Financial indicators

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Operating income (million yen) | 21,711 | 35,510 | 63.6% |
| Operating margin | 11.3% | 16.1% | 4.8 percentage points |
| EBITDA (million yen)* | 33,786 | 48,906 | 44.8% |

* EBITDA is calculated by summing “operating income,” “depreciation and amortization.”

c. Profit before income taxes

The sustained depreciation of the yen resulted in a foreign exchange gain of 1,224 million yen in non-operating income. The net of non-operating income and non-operating expenses was 1,612 million yen.
As a result of the above, profit before income taxes for the fiscal year ended March 31, 2024, was 37,122 million yen, an increase of 13,682 million yen from the previous fiscal year.

d. Profit attributable to owners of parent

Profit attributable to owners of parent was 26,134 million yen, an increase of 6,371 million yen from the previous fiscal year. This was attributable to income taxes-current of 10,694 million yen and income tax-deferred of 294 million yen.

2) Views and issues analyzed/discussed with regard to the status of cash flows, and information on capital resources and liquidity of funds

a. Analysis of capital resources and liquidity of funds

Despite rapid changes in the business environment, the Group remains responsible for supplying its products — core components for its customers — over a long period of time. Therefore, the Group’s policy is to maintain ample internal reserves and ensure high liquidity of funds.

Total assets as of March 31, 2024, amounted to 186,840 million yen, a decrease of 7,105 million yen from the end of the previous fiscal year. As the Group engages in its fabless operations, current assets represent a significant portion in its asset structure, constituting 74.3% of total assets. Of current assets, inventories decreased by 22,211 million yen from the end of the previous fiscal year. This decrease was mainly due to increased product revenue and less upfront customer-requested procurement.

- Financial position and financial indicators

| | As of March 31, 2023 | As of March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Current assets (million yen) | 156,067 | 138,901 | (17,166) |
| Current asset ratio (%) | 80.5 | 74.3 | (6.2) percentage points |

Note: The calculation method for each indicator is as follows:
Current asset ratio: Current assets/Total assets × 100

Total liabilities as of March 31, 2024, were 55,820 million yen, a decrease of 28,261 million yen from the end of the previous fiscal year. This was due mainly to the decreases in accounts payable-trade, liabilities related to chargeable subcontracting as well as accounts payable-other, resulting from lower purchases from contract manufacturers and upfront customer-requested procurement.

- Financial position and financial indicators

| | As of March 31, 2023 | As of March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Current liabilities (million yen) | 82,338 | 53,094 | (29,244) |
| Current ratio (%) | 189.5 | 261.6 | 72.1 percentage points |

Note: The calculation method for each indicator is as follows:
Current ratio: Current assets/Current liabilities × 100

Total net assets as of March 31, 2024, amounted to 131,020 million yen, an increase of 21,156 million yen from the end of the previous fiscal year. This is mainly because retained earnings increased 14,974 million yen and foreign currency translation adjustments increased 1,200 million yen.

As a result of the above, shareholders' equity was 131,020 million yen, with shareholders' equity ratio of 70.12% and ROE of 21.70%. We will continuously work to enhance profitability and financial structure with the aim of responding flexibly to any changes in the business environment.

- Financial position and financial indicators

| | As of March 31, 2023 | As of March 31, 2024 | Year-on-year change |
|---|---|---|---|
| Shareholders' equity ratio (%) | 56.64 | 70.12 | 13.48 percentage points |
| ROE(%) | 19.82 | 21.70 | 1.88 percentage points |

Note: The calculation method for each indicator is as follows:
Shareholders' equity ratio: Shareholders' equity/Total assets
ROE (Return on Equity): Profit attributable to owners of parent/((Shareholders' equity as of March 31, 2023 + Shareholders' equity as of March 31, 2024)/2)

To respond to increasing needs for working capital due to increased product revenue, as well as to address a global economic slowdown and rising geopolitical risks, the Company concluded a commitment line agreement of 20 billion yen. As of March 31, 2024, the commitment lines of a total 20 billion yen were unused.

b. Views and issues analyzed/discussed with regard to the status of cash flows
The Group is actively working on reducing the collection period for accounts receivable and inventory turnover periods. Simultaneously, efforts are underway to secure the working capital and funds necessary for growth through operating cash flow.

For the fiscal year ended March 31, 2024, net cash provided by operating activities was 52,882 million yen (18,019 million yen in the previous fiscal year), net cash used in investing activities was 23,155 million yen (19,725 million yen in the previous fiscal year), and free cash flow was 29,727 million yen (minus 1,706 million yen in the previous fiscal year). This was due to a decrease in inventories resulting from an increase in product revenue, and the acquisition of non-current assets such as reticules necessary for product development and manufacturing following the acquisition of design wins, among other factors.

- Cash flow indicators of the Group

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 | Year-on-year change |
|---|---|---|---|
| I. Net cash provided by operating activities (million yen) | 18,019 | 52,882 | 34,863 |
| II. Net cash used in investing activities (million yen) | (19,725) | (23,155) | (3,430) |
| I + II Free cash flow (million yen) | (1,706) | 29,727 | 31,433 |

Net cash used in financing activities was 6,624 million yen in the fiscal year under review (333 million yen in the previous fiscal year), mainly due to proceeds of 4,766 million yen from the exercise of stock options, while cash dividends paid totaled 11,160 million yen.

As a result of the above, cash and cash equivalents as of March 31, 2024, increased 24,602 million yen from the end of the previous fiscal year to 69,738 million yen.

3) Significant accounting estimates and assumptions used in such estimates

The consolidated financial statements of the Group have been prepared in accordance with accounting principles generally accepted in Japan. In preparing these consolidated financial statements, the following accounting policies are of particular significance, as they are expected to influence the Group’s estimates for the fiscal year under review.

a. Recoverability of deferred tax assets

We determine the recoverability of deferred tax assets after estimating its future taxable income based on earnings forecasts and tax planning. Changes in the estimates due to a deteriorated business environment in the future, however, may cause the Group to draw down deferred tax assets and recognize income tax expenses.

b. Inventory valuation

For inventory valuation, the book value of inventory is written down when the net realizable value is lower than the acquisition cost. Additionally, when inventories whose inventory turnover periods exceed a certain threshold, the book value of inventory is written down to its net realizable value that reflects future demand and market trends.

c. Impairment of non-current assets

Regarding non-current assets, the Group examines whether the recognition of valuation loss is necessary based on the Accounting Standards for Impairment of Fixed Assets, and recognizes valuation loss based on the present value of future cash flows or their net realizable value. The Group may recognize a valuation loss if future cash flows plunge due to a revision to future business plans or deterioration in the business environment.

## 5 Material Agreements, Etc.

Not applicable.

## 6 Research and Development Activities

The Group's "Solution SoC" business model utilizes advanced technologies to provide its customers seeking to differentiate their services and products with the optimal advanced SoCs. In pursuit of this, we are proactively investing in cutting-edge technologies to strengthen the Group's unique business model and foster sustained growth.

In line with its management philosophy, the Group also works closely with suppliers who provide the latest technologies in the evolving semiconductor ecosystem, including processing, packaging, and test technologies, as well as IP, EDA tools, and software. This engagement involves development activities conducted in partnership with these suppliers. In the ever-evolving and expanding semiconductor ecosystem, the challenge of developing SoCs that integrate optimal technologies from among a variety of advanced options is growing more intense. For this reason, the Group is proactively investing in exploring and demonstrating various technology combinations.

Research and development costs for the fiscal year ended March 31, 2024, amounted to 53,279 million yen, an increase of 3,955 million yen from the previous fiscal year. This was due to an increase in new development associated with a rise in design wins and the weakening yen compared with the previous fiscal year. The Group's research and development activities consist of both upfront development investment in advanced technologies for acquiring design wins in its focus areas and product development linked to acquired design wins. The Group aims to establish a virtuous cycle: acquiring new design wins by leveraging pre-developed underlying technologies in its focus areas; identifying underlying technologies that will be required in the future through technical discussions with customers and technical issues unveiled in the course of actual product development for each product; and planning and implementing the subsequent upfront development investments.

Moreover, in the development of individual products, we enter into development agreements with our customers. Subsequent to the design and development stage, we provide them with prototypes. With a development agreement specifying that the intellectual property related to the product resulting from R&D conducted by the Group belongs to the Group, the cost of product development for each customer is included in research and development costs (selling, general and administrative expenses).

Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

<Upfront development>

In the "Solution SoC" business model, it is necessary to implement diverse functions. Traditionally, the approach to address this need has been to expand the circuit scale through refining process technology. On the other hand, regarding the utilization of cutting-edge process technologies, challenges such as cost, development duration, and the supply capacity of mass-production plants increasingly give rise to situations where it may not always be the sole optimal solution. Under these circumstances, the Group proactively engages in upfront development to apply each supplier's cutting-edge technologies to actual SoC development. This approach includes not only the refinement of process technologies (5 nm, 3 nm, 2 nm) but also the adaption to SoCs and advanced packaging/high-density packaging (2.5D-IC, 3D-IC) technologies based on computer architecture. Additionally, the Group introduces new design technologies and methods to reduce power consumption and shorten the design period. Examples of the results of upfront development in the fiscal year ended March 31, 2024, are as follows:

- Research and development of 2nm process multi-core CPU chiplets

The Group, in collaboration with leading foundries and IP vendors, has begun to develop technologies to optimize the development specifications of multi-core CPU chiplets, I/O chiplets, and application-specific chiplets using 2nm process technology in a single package to suit each application. The practical application of these technologies will enable us, even with finite resources and costs, to meet our customers' Time to Market needs and optimize the performance of customer application.

<Product development>

Since the fiscal year ended March 31, 2020, there have been greater acquisitions of design wins in our focus areas of automotive, data center & networking, smart devices and industrial equipment, leading to a rise in the number of development projects utilizing 7 nm, 5 nm and 3 nm processes for the focus areas and new services and products. In particular, during the fiscal year under review, we also started development of custom SoCs for ADAS (Advanced Driver Assistance Systems) and autonomous driving, employing the latest automotive processes. We have also completed several large-scale custom SoC tape-outs involving advanced technologies (7 nm, 5 nm), mainly in our focus areas.

# III Property, Plant and Equipment

## 1 Overview of Capital Investments, Etc.

Capital investment (including intangible assets) made during the fiscal year ended March 31, 2024, totaled 24,438 million yen. This was mainly due to the acquisition of IP and more for developing advanced technology products for automotive and smart devices, etc., the acquisition of reticules and test boards for manufacturing individual SoCs, and the acquisition of servers, storage and other elements to enhance the R&D environment.

Additionally, the Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

## 2 Major Property, Plant and Equipment

The Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model, and thus, a breakdown by segment is unavailable for presentation.

(1) Reporting company

As of March 31, 2024

| Office (Location) | Details of property, plant and equipment | Book value (million yen) | | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|
| | | Buildings and structures | Land (Area) | Other | Intangible assets | Total | |
| Head Office (Kohoku-ku, Yokohama) | Network equipment, development evaluation boards, measurement equipment, etc. | 139 | - | 1,969 | 16,544 | 18,652 | 1,323 |
| Kyoto Office (Shimogyo-ku, Kyoto) | Network equipment, development evaluation boards, measurement equipment, etc. | 438 | - | 1,160 | 75 | 1,673 | 525 |
| Kozoji Office (Kasugai, Aichi) | Buildings, land, measurement equipment, etc. | 67 | 800 (25,663 $m^2$) | 538 | 53 | 1,458 | 255 |
| Other contract manufacturers, etc. (Taipei, Taiwan, and others) | Reticles and test boards for LSI manufacturing, etc. | 3 | - | 9,055 | 8 | 9,066 | 29 |

Note: 1 The amounts of construction in progress and software in progress are not included in the book value.
2 “Other” in the book value includes tools, furniture and fixtures.
3 “Intangible assets” in the book value are mainly IP and software, while those whose location cannot be identified are included in “Head Office.”
4 There are no major items of property, plant and equipment that are currently out of operation.
5 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.
6 The Kozoji Office is owned by the Company. Other offices are leased.

(2) Overseas subsidiaries

As of March 31, 2024

| Company name | Office (Location) | Details of property, plant and equipment | Book value (million yen) | | | | Number of employees (persons) |
|---|---|---|---|---|---|---|---|
| | | | Buildings and structures | Other | Intangible assets | Total | |
| Socionext Europe GmbH | Langen Office (Langen, Germany) | Network equipment, development evaluation boards, measurement equipment, etc. | 1,239 | 172 | 22 | 1,433 | 98 |
| | Maidenhead Office (Maidenhead, United Kingdom) | Network equipment, development evaluation boards, measurement equipment, etc. | 533 | 193 | 8 | 734 | 29 |

Note: 1 The amounts of construction in progress and software in progress are not included in the book value.
2 “Other” in the book value includes tools, furniture and fixtures.
3 “Intangible assets” in the book value are mainly software.
4 There are no major items of property, plant and equipment that are currently out of operation.
5 The number of employees represents the number of regular employees (excluding officers and employees on secondment outside the Company but including those on secondment from outside the Company). The number of temporary employees is not stated, as the total number of temporary employees was less than 10% of the total number of employees.
6 The offices are leased.

## 3 Plans for Capital Investments, Disposals of Property, Plant and Equipment, Etc.

(1) Significant new property, plant and equipment

Not applicable.

(2) Disposal of significant property, plant and equipment

Not applicable.

# IV Information on Reporting Company

## 1 Company's Shares, Etc.

### (1) Total number of shares, etc.

1) Total number of shares

| Type | Total number of authorized shares (shares) |
|---|---|
| Common stock | 673,000,000 |
| Total | 673,000,000 |

2) Issued shares

| Type | Number of shares issued as of the end of fiscal year (shares) (March 31, 2024) | Number of shares issued as of the filling date (shares) (June 27, 2024) | Stock listing/registration | Description |
|---|---|---|---|---|
| Common stock | 178,687,405 | 178,979,780 | Prime Market of the Tokyo Stock Exchange | They represent the standard shares of the Company, with no restrictions on shareholders' rights, and the number of shares per one unit of shares is 100 shares. |
| Total | 178,687,405 | 178,979,780 | - | - |

Note: The "Number of shares issued as of the filling date" does not include the number of shares issued upon the exercise of share subscription rights during a period from June 1, 2024, to the filing date of this annual securities report.

(2) Share subscription rights, etc.

1) Details of stock option plans

First issue of share subscription rights

| | |
|---|---|
| Date of resolution | April 22, 2015 |
| Category and number of grantees (persons) | Directors of the Company (excluding Outside Directors) 6<br>Employees of the Company 593 |
| Number of share subscription rights (units)*1 | 521,040 [412,160] (Note 1) |
| Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1 | Common stock 651,300 [515,200] (Note 1) |
| Payment amount for share subscription rights (yen)*1 | 400 (Note 2) |
| Exercise period of share subscription rights*1 and 2 | From April 23, 2017, to April 22, 2025 |
| Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1 | Issue price: 400<br>Amount capitalized as common stock: 200 (Note 3) |
| Conditions for exercising share subscription rights*1 | i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as "Directors, etc.") must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the "Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc." (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the "Affiliates"). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below.<br>(a) Retirement or resignation due to reaching the age of retirement or completion of the term of office<br>(b) Retirement due to death<br>(c) A career change mediated by the Company<br>(d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances<br>ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit.<br>iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished.<br>iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure.<br>v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates.<br>vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange.<br>vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas. |
| Matters related to transfer of share subscription rights*1 | Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors. |

| | |
|---|---|
| Matters related to delivery of share subscription rights in the event of reorganization *1 | In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:<br>i) Number of share subscription rights of the Reorganized Company to be delivered<br>A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered.<br>ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>Common stock of the Reorganized Company.<br>iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors.<br>iv) Value of assets to be contributed upon exercise of share subscription rights<br>The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above.<br>v) Exercise period of share subscription rights<br>From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above.<br>vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights<br>It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above.<br>vii) Restriction on acquisition of share subscription rights by transfer<br>Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company.<br>viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights<br>At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above. |

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2024). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2024) is shown in square brackets based on the status as of May 31, 2024. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from April 23, 2017, to April 22, 2025. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1. The number of shares to be issued upon exercise of each share subscription right shall be 1.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the

resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\ \text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\ \text{before adjustment}\end{array} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the share subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\ \text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\ \text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.

Second issue of share subscription rights

| | |
|---|---|
| Date of resolution | July 20, 2016 |
| Category and number of grantees (persons) | Directors of the Company (excluding Outside Directors) 1<br>Employees of the Company 29 |
| Number of share subscription rights (units)*1 | 47,520 [38,160] (Note 1) |
| Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1 | Common stock 59,400 [47,700] (Note 1) |
| Payment amount for share subscription rights (yen)*1 | 495 (Note 2) |
| Exercise period of share subscription rights*1 and 2 | From July 21, 2018, to July 20, 2026 |
| Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1 | Issue price: 495<br>Amount capitalized as common stock: 248 (Note 3) |
| Conditions for exercising share subscription rights*1 | i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as "Directors, etc.") must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the "Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc." (hereafter, the Company's subsidiaries and affiliates will be collectively referred to as the "Affiliates"). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below.<br>(a) Retirement or resignation due to reaching the age of retirement or completion of the term of office<br>(b) Retirement due to death<br>(c) A career change mediated by the Company<br>(d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances<br>ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit.<br>iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished.<br>iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure.<br>v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates.<br>vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange.<br>vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas. |
| Matters related to transfer of share subscription rights*1 | Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors. |

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| Matters related to delivery of share subscription rights in the event of reorganization *1 | In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the “Structural Reorganization”), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the “Reorganized Company”) shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the “Remaining Share Subscription Rights”) taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:<br>i) Number of share subscription rights of the Reorganized Company to be delivered<br>A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered.<br>ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>Common stock of the Reorganized Company.<br>iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>The number shall be determined in accordance with “Number of share subscription rights (units)” presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors.<br>iv) Value of assets to be contributed upon exercise of share subscription rights<br>The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the “Value of assets to be contributed upon exercise of share subscription rights (yen)” above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above.<br>v) Exercise period of share subscription rights<br>From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above.<br>vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights<br>It shall be determined in accordance with the “Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)” presented above.<br>vii) Restriction on acquisition of share subscription rights by transfer<br>Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company.<br>viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights<br>At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the “Provisions concerning the acquisition of share subscription rights” outlined in the issuance guidelines, along with the “Conditions for exercising share subscription rights” described above. |

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2024). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2024) is shown in square brackets based on the status as of May 31, 2024. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 21, 2018, to July 20, 2026. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes:
1. The number of shares to be issued upon exercise of each share subscription right shall be 1.25 shares.
   However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:
   Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation
   In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.
2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

   In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

   In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."
3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the share subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.

iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.

5. Rounding
   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
   The Company does not issue any stock warrants.

Third issue of share subscription rights

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| Date of resolution | July 24, 2017 |
| Category and number of grantees (persons) | Employees of the Company 28 |
| Number of share subscription rights (units)*1 | 21,600 [14,400] (Note 1) |
| Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1 | Common stock 27,000 [18,000] (Note 1) |
| Payment amount for share subscription rights (yen)*1 | 513 (Note 2) |
| Exercise period of share subscription rights*1 and 2 | From July 25, 2019, to July 24, 2027 |
| Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1 | Issue price: 513<br>Amount capitalized as common stock: 257 (Note 3) |
| Conditions for exercising share subscription rights*1 | i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company’s subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below.<br>(a) Retirement or resignation due to reaching the age of retirement or completion of the term of office<br>(b) Retirement due to death<br>(c) A career change mediated by the Company<br>(d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances<br>ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit.<br>iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished.<br>iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure.<br>v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates.<br>vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company’s Common Stock on a financial instruments exchange.<br>vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas. |
| Matters related to transfer of share subscription rights*1 | Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors. |

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| Matters related to delivery of share subscription rights in the event of reorganization *1 | In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the “Structural Reorganization”), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the “Reorganized Company”) shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the “Remaining Share Subscription Rights”) taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:<br>i) Number of share subscription rights of the Reorganized Company to be delivered<br>A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered.<br>ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>Common stock of the Reorganized Company.<br>iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>The number shall be determined in accordance with “Number of share subscription rights (units)” presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors.<br>iv) Value of assets to be contributed upon exercise of share subscription rights<br>The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the “Value of assets to be contributed upon exercise of share subscription rights (yen)” above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above.<br>v) Exercise period of share subscription rights<br>From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above.<br>vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights<br>It shall be determined in accordance with the “Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)” presented above.<br>vii) Restriction on acquisition of share subscription rights by transfer<br>Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company.<br>viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights<br>At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the “Provisions concerning the acquisition of share subscription rights” outlined in the issuance guidelines, along with the “Conditions for exercising share subscription rights” described above. |

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2024). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2024) is shown in square brackets based on the status as of May 31, 2024. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 25, 2019, to July 24, 2027. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1. The number of shares to be issued upon exercise of each share subscription right shall be 1.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the share subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.

5. Rounding

   If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.

6. Issuance of stock warrants

   The Company does not issue any stock warrants.

Fourth issue of share subscription rights

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| Date of resolution | July 25, 2018 |
| Category and number of grantees (persons) | Directors of the Company (excluding Outside Directors) 1<br>Employees of the Company 2,255 |
| Number of share subscription rights (units)*1 | 1,274,480 [1,163,280] (Note 1) |
| Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1 | Common stock 1,593,100 [1,454,100] (Note 1) |
| Payment amount for share subscription rights (yen)*1 | 513 (Note 2) |
| Exercise period of share subscription rights*1 and 2 | From July 26, 2020 to July 25, 2028 |
| Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1 | Issue price: 513<br>Amount capitalized as common stock: 257 (Note 3) |
| Conditions for exercising share subscription rights*1 | i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company’s subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below.<br>(a) Retirement or resignation due to reaching the age of retirement or completion of the term of office<br>(b) Retirement due to death<br>(c) A career change mediated by the Company<br>(d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances<br>ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit.<br>iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished.<br>iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure.<br>v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates.<br>vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company’s Common Stock on a financial instruments exchange.<br>vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas. |
| Matters related to transfer of share subscription rights*1 | Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors. |

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| Matters related to delivery of share subscription rights in the event of reorganization *1 | In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:<br>i) Number of share subscription rights of the Reorganized Company to be delivered<br>A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered.<br>ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>Common stock of the Reorganized Company.<br>iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors.<br>iv) Value of assets to be contributed upon exercise of share subscription rights<br>The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above.<br>v) Exercise period of share subscription rights<br>From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above.<br>vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights<br>It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above.<br>vii) Restriction on acquisition of share subscription rights by transfer<br>Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company.<br>viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights<br>At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above. |

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2024). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2024) is shown in square brackets based on the status as of May 31, 2024. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 26, 2020, to July 25, 2028. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1. The number of shares to be issued upon exercise of each share subscription right shall be 1.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price}\\\text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the share subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\\text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\\text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights

i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:

(a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
(b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
(c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.

ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:

(a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
(b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
(c) A holder of share subscription rights is declared bankrupt.
(d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
(e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.

iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.

5. Rounding
If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
The Company does not issue any stock warrants.

Sixth issue of share subscription rights

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| Date of resolution | July 29, 2019 |
| Category and number of grantees (persons) | Directors of the Company (excluding Outside Directors) 3<br>Employees of the Company 125 |
| Number of share subscription rights (units)*1 | 53,720 [52,720] (Note 1) |
| Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1 | Common stock 67,150 [65,900] (Note 1) |
| Payment amount for share subscription rights (yen)*1 | 513 (Note 2) |
| Exercise period of share subscription rights*1 and 2 | From July 30, 2021, to July 29, 2029 |
| Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1 | Issue price: 513<br>Amount capitalized as common stock: 257 (Note 3) |
| Conditions for exercising share subscription rights*1 | i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company’s subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below.<br>(a) Retirement or resignation due to reaching the age of retirement or completion of the term of office<br>(b) Retirement due to death<br>(c) A career change mediated by the Company<br>(d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances<br>ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit.<br>iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished.<br>iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure.<br>v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates.<br>vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company’s Common Stock on a financial instruments exchange.<br>vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas. |
| Matters related to transfer of share subscription rights*1 | Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors. |

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| Matters related to delivery of share subscription rights in the event of reorganization *1 | In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the “Structural Reorganization”), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the “Reorganized Company”) shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the “Remaining Share Subscription Rights”) taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:<br>i) Number of share subscription rights of the Reorganized Company to be delivered<br>A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered.<br>ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>Common stock of the Reorganized Company.<br>iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>The number shall be determined in accordance with “Number of share subscription rights (units)” presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors.<br>iv) Value of assets to be contributed upon exercise of share subscription rights<br>The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the “Value of assets to be contributed upon exercise of share subscription rights (yen)” above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above.<br>v) Exercise period of share subscription rights<br>From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the “Exercise period of share subscription rights” above.<br>vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights<br>It shall be determined in accordance with the “Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)” presented above.<br>vii) Restriction on acquisition of share subscription rights by transfer<br>Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company.<br>viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights<br>At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the “Provisions concerning the acquisition of share subscription rights” outlined in the issuance guidelines, along with the “Conditions for exercising share subscription rights” described above. |

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2024). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2024) is shown in square brackets based on the status as of May 31, 2024. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 30, 2021, to July 29, 2029. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1. The number of shares to be issued upon exercise of each share subscription right shall be 1.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the share subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
(a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
(b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
(c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
(a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
(b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
(c) A holder of share subscription rights is declared bankrupt.
(d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
(e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.

iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.

5. Rounding
If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
The Company does not issue any stock warrants.

Seventh issue of share subscription rights

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| Date of resolution | July 22, 2020 |
| Category and number of grantees (persons) | Employees of the Company 192 |
| Number of share subscription rights (units)*1 | 86,100 [78,000] (Note 1) |
| Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1 | Common stock 107,625 [97,500] (Note 1) |
| Payment amount for share subscription rights (yen)*1 | 513 (Note 2) |
| Exercise period of share subscription rights*1 and 2 | From July 23, 2022, to July 22, 2030 |
| Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1 | Issue price: 513<br>Amount capitalized as common stock: 257 (Note 3) |
| Conditions for exercising share subscription rights*1 | i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company’s subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below.<br>(a) Retirement or resignation due to reaching the age of retirement or completion of the term of office<br>(b) Retirement due to death<br>(c) A career change mediated by the Company<br>(d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances<br>ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit.<br>iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished.<br>iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure.<br>v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates.<br>vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company’s Common Stock on a financial instruments exchange.<br>vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas. |
| Matters related to transfer of share subscription rights*1 | Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors. |

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| Matters related to delivery of share subscription rights in the event of reorganization *1 | In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:<br>i) Number of share subscription rights of the Reorganized Company to be delivered<br>A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered.<br>ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>Common stock of the Reorganized Company.<br>iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors.<br>iv) Value of assets to be contributed upon exercise of share subscription rights<br>The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above.<br>v) Exercise period of share subscription rights<br>From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above.<br>vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights<br>It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above<br>Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company.<br>viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights<br>At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above. |

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2024). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2024) is shown in square brackets based on the status as of May 31, 2024. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from July 23, 2022, to July 22, 2030. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1. The number of shares to be issued upon exercise of each share subscription right shall be 1.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the share subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.
5. Rounding
If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.

6. Issuance of stock warrants
   The Company does not issue any stock warrants.

Eighth issue of share subscription rights

| | |
|---|---|
| Date of resolution | March 24, 2021 |
| Category and number of grantees (persons) | Directors of the Company (excluding Outside Directors) 6<br>Employees of the Company 75 |
| Number of share subscription rights (units)*1 | 103,020 [99,600] (Note 1) |
| Type, details and number of shares to be issued upon exercise of share subscription rights (shares)*1 | Common stock 128,775 [124,500] (Note 1) |
| Payment amount for share subscription rights (yen)*1 | 513 (Note 2) |
| Exercise period of share subscription rights*1 and 2 | From March 25, 2023 to March 24, 2031 |
| Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)*1 | Issue price: 513<br>Amount capitalized as common stock: 257 (Note 3) |
| Conditions for exercising share subscription rights*1 | i) At the time of exercise of share subscription rights, a position of either director, executive officer or employee (hereafter referred to as “Directors, etc.”) must be held in the Company or any subsidiaries or affiliates of the Company, as stipulated in the “Regulations on Terminology, Forms and Preparation Methods of Financial Statements, etc.” (hereafter, the Company’s subsidiaries and affiliates will be collectively referred to as the “Affiliates”). However, this shall not apply to the case of retirement or resignation from the position of Director, etc. of the Company or the Affiliates for the reasons described below.<br>(a) Retirement or resignation due to reaching the age of retirement or completion of the term of office<br>(b) Retirement due to death<br>(c) A career change mediated by the Company<br>(d) In the event that the Company determined at its reasonable discretion that the resignation is voluntary due to illness or other unavoidable circumstances<br>ii) Share subscription rights may be exercised not more than twice a year, provided that the number of shares to be issued upon exercise is an integer multiple of the number of shares in one unit of the Company. However, notwithstanding this provision, a holder of share subscription rights for which the number of shares underlying all the share subscription rights he or she holds is less than an integer multiple of the number of shares in one unit of the Company may exercise his or her share subscription rights for less than an integer multiple of the number of shares in one unit only when he or she exercises all of his or her share subscription rights for less than an integer multiple of the number of shares in one unit.<br>iii) Upon the death of a holder of share subscription rights, the holder may exercise his or her share subscription rights only if one of his or her legal heirs inherits all of the share subscription rights. If the legal heir in question dies, the rights in question will be extinguished.<br>iv) If a holder of share subscription rights is subject to suspension from work or a pay cut at the Company or the Affiliates, he or she may not exercise his or her share subscription rights for one year from the issuance of such measure.<br>v) Share subscription rights may not be exercised if the holder of the share subscription rights is in dispute with the Company or the Affiliates.<br>vi) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised until six months after the listing of the Company’s Common Stock on a financial instruments exchange.<br>vii) Even if the initial date of the period for exercise has arrived, share subscription rights may not be exercised when the holder of the subscription rights is stationed overseas. |
| Matters related to transfer of share subscription rights*1 | Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors. |

| | |
|---|---|
| Matters related to delivery of share subscription rights in the event of reorganization *1 | In the event that the Company conducts a merger (limited to the case where the Company ceases to exist as a result of the merger), an absorption-type company split or an incorporation-type company split, or an exchange or transfer of shares (collectively, the "Structural Reorganization"), share subscription rights of the relevant stock companies set forth in Article 236, Paragraph 1, Item 8 (a) through (e) of the Companies Act (the "Reorganized Company") shall be delivered to the holders of share subscription rights who hold the share subscription rights remaining at the time of the Structural Reorganization (the "Remaining Share Subscription Rights") taking effect in accordance with the following conditions. In this case, the Remaining Share Subscription Rights shall be extinguished; provided, however, that such share subscription rights of the Reorganized Company shall be delivered only if the delivery of such share subscription rights in accordance with each of the following items is stipulated in the relevant absorption-type merger agreement, consolidation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement or share transfer plan:<br>i) Number of share subscription rights of the Reorganized Company to be delivered<br>A number equal to the number of share subscription rights held by the respective holders of the Remaining Stock Acquisition Rights shall be delivered.<br>ii) Type of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>Common stock of the Reorganized Company.<br>iii) Number of shares of the Reorganized Company to be issued upon exercise of share subscription rights<br>The number shall be determined in accordance with "Number of share subscription rights (units)" presented above, taking into consideration the terms and conditions of the Structural Reorganization, among other factors.<br>iv) Value of assets to be contributed upon exercise of share subscription rights<br>The value of assets to be contributed upon exercise of each share subscription right to be delivered shall be determined by multiplying the exercise price after reorganization, which is obtained by adjusting the exercise price specified in the "Value of assets to be contributed upon exercise of share subscription rights (yen)" above, taking into account the terms and conditions for the Structural Reorganization, by the number of shares of the Reorganized Company to be issued upon exercise of the relevant stock acquisition rights as determined in accordance with iii) above.<br>v) Exercise period of share subscription rights<br>From and including whichever is the later of the commencement date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above or the effective date of the Structural Reorganization, to and including the expiration date of the period during which the share subscription rights may be exercised as provided for in the "Exercise period of share subscription rights" above.<br>vi) Matters related to capital and legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights<br>It shall be determined in accordance with the "Issue price for shares issued through the exercise of the share subscription rights and the amount capitalized as common stock (yen)" presented above.<br>vii) Restriction on acquisition of share subscription rights by transfer<br>Acquisition of share subscription rights through transfer shall be subject to approval by a resolution of the Board of Directors of the Reorganized Company.<br>viii) Provisions concerning acquisition of share subscription rights and conditions for exercise of such rights<br>At the time of the Structural Reorganization, the Board of Directors of the Company shall make determinations on these items in accordance with the "Provisions concerning the acquisition of share subscription rights" outlined in the issuance guidelines, along with the "Conditions for exercising share subscription rights" described above. |

*1 The description above indicates the status as of the end of the current fiscal year (March 31, 2024). The information changed between the end of the fiscal year under review and the end of the month preceding to the filing month (May 31, 2024) is shown in square brackets based on the status as of May 31, 2024. The other information has not changed from the end of the fiscal year under review.

*2 Within the period specified in Article 29-2, Paragraph 1, Item 1 of the Act on Special Measures Concerning Taxation (from the day on which 2 years have elapsed from the day of the resolution on the grant of the share subscription rights to the day on which 10 years have elapsed from the day of the resolution on the grant of the share subscription rights), the exercise period of the share subscription rights shall extend from March 25, 2023 to March 24, 2031. However, if the commencement day of the exercise period falls on a non-business day of the Company, it shall be rescheduled to the subsequent business day. Similarly, if the concluding day of the exercise period falls on a non-business day of the Company, it shall be moved to the preceding business day.

Notes: 1. The number of shares to be issued upon exercise of each share subscription right shall be 1.25 shares.
However, in the event that the Company conducts a share split (including the gratis allotment of common stock of the Company— the same shall apply to the description of the share split hereafter)—or a share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the number of shares to be granted shall be adjusted in accordance with the following formula:

Number of shares to be granted after adjustment = Number of shares to be granted before adjustment × Ratio of share split or share consolidation

In addition to the above, in the event that the number of shares to be granted needs to be adjusted, after the resolution date, due to the Company's absorption-type merger or consolidation-type merger with another entity, other structural reorganization, or any other events requiring an adjustment of such number of shares, the Company shall appropriately adjust the number of shares to be granted to the extent reasonable.

2. In the event that the Company conducts a share split or share consolidation, after the resolution date on which the issuance of the share subscription rights is resolved, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\text{Exercise price after adjustment} = \text{Exercise price before adjustment} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

In the event that the Company issues new shares or disposes of its treasury stock held by the Company at a value below market value, pertaining to the Company's common stock (except through the sale of treasury stock pursuant to the provisions of Article 194 of the Companies Act (Demand for sale of shares less than one unit by holders of shares less than one unit), the conversion of securities that are or can be converted into the Company's common stock, or the exercise of share subscription rights (including those attached to bonds with share subscription rights) which entitle the request for the delivery of common stock of the Company), after the resolution date, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price}\\ \text{after adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\ \text{before adjustment}\end{array} \times \frac{\text{Number of shares outstanding} + \dfrac{\text{Number of shares to be issued} \times \text{Paid-in amount per share}}{\text{Market value per share}}}{\text{Number of shares outstanding} + \text{Number of shares to be issued}}$$

In the above formula, the term "number of shares outstanding" shall be determined by deducting the number of treasury stock pertaining to the common stock held by the Company from the total number of issued common stock of the Company. In the case where treasury stock is slated for disposal, the term "number of shares to be issued" shall be replaced with "number of treasury stock to be disposed," and the term "paid-in amount per share" shall be replaced with "disposal amount per share."

3. i) The amount of capital to be increased due to the issuance of shares upon exercise of the share subscription rights, shall be an amount equivalent to half of the maximum amount of increase in stated capital, as calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting. Fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.
   ii) The amount of legal capital surplus to be increased in the event of issuance of shares upon exercise of share subscription rights, shall be an amount determined by deducting the amount of capital to be increased specified in i) above from the maximum amount of increase in stated capital described in i) above. In the event that the Company conducts a stock split or consolidation, after the date of allotment of share subscription rights, the exercise price shall be adjusted in accordance with the following formula. Any fractions less than one yen resulting from the calculation shall be rounded up to a whole yen.

$$\begin{array}{c}\text{Exercise price after}\\ \text{adjustment}\end{array} = \begin{array}{c}\text{Exercise price}\\ \text{before adjustment}\end{array} \times \frac{1}{\text{Ratio of share split or share consolidation}}$$

4. Provisions concerning acquisition of share subscription rights
   i) If any of the proposals set forth in (a), (b) and (c) below is approved at a general meeting of shareholders of the Company (or is approved by a resolution of the Board of Directors of the Company in case a resolution of a general meeting of shareholders is not required), the Company may acquire the share subscription rights without consideration on a date to be determined independently by the Board of Directors:
      (a) Proposal for approval of a merger agreement under which the Company shall become a dissolving company;
      (b) Proposal for approval of a split agreement or split plan under which the Company shall be split; and
      (c) Proposal for approval of a share exchange agreement or share transfer plan under which the Company shall become a wholly-owned subsidiary.
   ii) The Company may acquire all of the share subscription rights without consideration in the event of any of the following:
      (a) A holder of share subscription rights loses a position as a Director, etc. of the Company or the Affiliates (excluding cases where the loss is attributed to reasons set forth above in (a) through (d) under i) of Conditions for exercising share subscription rights, and cases where the holder of share subscription rights dies, and one of the legal heirs of the holder inherits all of the share subscription rights, as specified in iii) of the same Conditions).
      (b) A holder of share subscription rights becomes subject to a ruling for the commencement of assistance, curatorship, or guardianship.
      (c) A holder of share subscription rights is declared bankrupt.
      (d) A holder of share subscription rights violates relevant laws and regulations, internal regulations, or other rules of the Company or the Affiliates, or is found to have committed a breach of trust against the Company or the Affiliates.
      (e) A holder of share subscription rights violates the provisions of a share subscription underwriting agreement to be separately concluded with the Company.
   iii) The Company may acquire share subscription rights that have become non-exercisable due to their lack of compliance with some or all of the conditions for the exercise of share subscription rights without consideration on a date to be determined independently by the Board of Directors.

5. Rounding
If there is a fraction of less than one share in the number of shares to be delivered to the holders of share subscription rights who have exercised their share subscription rights, such fraction shall be rounded down.
6. Issuance of stock warrants
The Company does not issue any stock warrants.

2) Details of rights plans
Not applicable.

3) Other share subscription rights
Not applicable.

(3) Exercises of moving strike convertible bonds, etc.
Not applicable.

(4) Changes in the total number of issued shares, common stock, etc.

| Date | Changes in the total number of issued shares (shares) | Balance of the total number of issued shares (shares) | Changes in common stock (thousand yen) | Balance of common stock (thousand yen) | Changes in legal capital surplus (thousand yen) | Balance of legal capital surplus (thousand yen) |
|---|---|---|---|---|---|---|
| September 5, 2022 (Note 1) | Common stock (45,000,000) Type A shares (30,000,000) Type B shares (15,600,000) | Common stock 15,000,000 Type A shares 10,000,000 Type B shares 5,200,000 | - | 30,200,000 | - | 30,200,000 |
| September 6, 2022 (Note 2) | Common stock 18,666,666 | Common stock 33,666,666 Type A shares 10,000,000 Type B shares 5,200,000 | - | 30,200,000 | - | 30,200,000 |
| September 6, 2022 (Note 3) | Type A shares (10,000,000) Type B shares (5,200,000) | Common stock 33,666,666 | - | 30,200,000 | - | 30,200,000 |
| From April 1, 2023 to July 30, 2023 (Note 4) | 1,616,860 | 35,283,526 | 1,859,637 | 32,059,637 | 1,859,637 | 32,059,637 |
| July 31, 2023 (Note 5) | 7,515 | 35,291,041 | 73,120 | 32,132,758 | 73,120 | 32,132,758 |
| From August 1, 2023 to December 31, 2023 (Note 4) | 356,615 | 35,647,656 | 419,107 | 32,551,866 | 419,107 | 32,551,866 |
| January 1, 2024 (Note 6) | 142,590,624 | 178,238,280 | - | 32,551,866 | - | 32,551,866 |
| From January 2, 2024 to March 31, 2024 (Note 4) | 449,125 | 178,687,405 | 104,506 | 32,656,373 | 104,506 | 32,656,373 |

Notes: 1 The decrease was because the Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each.
2 As a result of the exercise of put options by Development Bank of Japan Inc., a Type A shareholder, the Company acquired all the Type A shares as treasury stock on September 6, 2022, and delivered 1.3466666 shares of common stock per Type A share as consideration. Furthermore, as a result of the exercise of put options by Fujitsu Ltd. and Panasonic Holdings Corporation, Type B shareholders, the Company acquired all the Type B shares as treasury stock on September 6, 2022, and delivered 1 share of common stock per Type B share as consideration.

3 All the Type A shares and Type B shares acquired by the Company were cancelled as of September 6, 2022, in accordance with Article 178 of the Companies Act through a resolution passed by the Board of Directors on August 31, 2022.
4 Increase due to exercise of share subscription rights. During the period from April 1, 2024 to May 31, 2024, upon the exercise of share subscription rights, the total number of issued shares increased by 292,375 shares and the amount of capital and legal capital surplus increased by 67,199 thousand yen.
5 New shares were issued as restricted stock compensation.

| | |
|---|---|
| Issue price: | 19,460 yen |
| Amount capitalized as common stock: | 9,730 yen |
| Allotted to: | Five directors of the Company (excluding directors who are members of the audit & supervisory committee and outside directors), six executive officers who do not concurrently serve as directors of the Company, and one employee of the Company |

6 Due to a stock split (1:5).

(5) Shareholding by shareholder category

As of March 31, 2024

| Category | Shareholding status (1 unit = 100 shares) | | | | | | | | Shares less than one unit (shares) |
|---|---|---|---|---|---|---|---|---|---|
| | National and local governments | Financial institutions | Financial instruments business operators | Other corporations | Foreign shareholders | | Individuals and others | Total | |
| | | | | | Non-individuals | Individuals | | | |
| Number of shareholders (persons) | - | 34 | 66 | 946 | 332 | 334 | 79,505 | 81,217 | - |
| Number of shares held (units) | - | 376,001 | 148,200 | 74,602 | 568,514 | 2,258 | 615,402 | 1,784,977 | 189,705 |
| Percentage of shareholdings (%) | - | 21.06 | 8.30 | 4.18 | 31.85 | 0.13 | 34.48 | 100.00 | - |

Note: Of 788 shares of treasury stock, 7 units are included in “Individuals and others” and 88 shares in “Shares less than one unit.”

(6) Major shareholders

As of March 31, 2024

| Name | Address | Number of shares held (shares) | Percentage of shares held in the total number of issued shares (excluding treasury stock) (%) |
|---|---|---|---|
| The Master Trust Bank of Japan, Ltd. (trust account) | 1-8-1 Akasaka, Minato-ku, Tokyo | 20,001,300 | 11.19 |
| Custody Bank of Japan, Ltd. (trust account) | 8-12, Harumi 1-Chome, Chuo-ku, Tokyo | 7,466,200 | 4.17 |
| The Nomura Trust and Banking Co., Ltd. (trust account) | 2-2-2 Otemachi, Chiyoda-ku, Tokyo | 6,500,000 | 3.63 |
| SSBTC CLIENT OMNIBUS ACCOUNT<br>(Standing proxy: Custody Services Department, Tokyo Branch, The Hongkong and Shanghai Banking Corporation Limited) | ONE CONGRESS STREET, SUITE 1,BOSTON, MASSCHUSETTS<br>(11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo) | 5,001,825 | 2.79 |
| Ueda Yagi Tanshi Co., Ltd. | 4-2 Koraibashi 2-chome, Chuo-ku, Osaka-shi | 3,655,300 | 2.04 |
| J.P. MORGAN SECURITIES PLC FOR AND ON BEHALF OF ITS CLIENTS JPMSP RE CLIENT ASSETS-SEGR ACCT<br>(Standing proxy: Citibank, N.A., Tokyo Branch) | 25 BANK STREET, CANARY WHARF LONDON E14 5JP UK<br>(6-27-30 Shinjuku, Shinjuku-ku, Tokyo) | 3,114,400 | 1.74 |
| GOLDMAN SACHS INTERNATIONAL<br>(Standing proxy: Goldman Sachs Japan Co., Ltd.) | PLUMTREE COURT, 25 SHOE LANE,LONDON EC4A 4AU,U.K<br>(6-10-1 Roppongi, Minato-ku, Tokyo) | 2,995,430 | 1.67 |
| Nomura Securities Co., Ltd. | 1-13-1 Nihonbashi, Chuo-ku, Tokyo | 2,888,427 | 1.61 |
| BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD<br>(Standing proxy: MUFG Bank, Ltd.) | ONE CHURCHILL PLACE, LONDON, E14 SHP UNITED KINGDOM<br>(2-7-1 Marunouchi, Chiyoda-ku, Tokyo) | 2,834,045 | 1.58 |
| STATE STREET BANK AND TRUST COMPANY 505225<br>(Standing proxy: Mizuho Trust & Banking Co., Ltd.) | P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A.<br>(2-15-1 Konan, Minato-ku, Tokyo) | 2,679,700 | 1.49 |
| Total | - | 57,136,627 | 31.97 |

Notes: 1 Percentage of shares held in the total number of issued shares (excluding treasury stock) is rounded down to two decimal places.

2 Development Bank of Japan Inc. and Fujitsu Limited, which were major shareholders as of the end of the previous fiscal year, are no longer major shareholders as of the end of the fiscal year under review. An Extraordinary Report (change in major shareholders) was filed on July 13, 2023.

3 Although the report on the status of large-volume holdings in share certificates, etc. is available for public inspection, it is not included in the table of “Major shareholders” because the actual shareholding status as of March 31, 2024, cannot be confirmed. The main contents of the report are as follows. The Company conducted a stock split on January 1, 2024, and reports for which the filing requirement arose prior to the effective date of the above stock split show the number of shares held prior to such stock split.

| | |
|---|---|
| Shareholder | Capital Research and Management Company |
| Date when filing requirement arose | December 15, 2023 |
| Number of share certificates, etc. held | 1,716,018 shares |
| Shareholding ratio | 4.82% |

| Shareholder | Nomura Securities Co., Ltd. and three shareholders |
|---|---|
| Date when filing requirement arose | May 15, 2024 |
| Number of share certificates, etc. held | 15,271,997 shares |
| Shareholding ratio | 8.55% |

| Shareholder | Sumitomo Mitsui Trust Asset Management Co., Ltd. and one shareholder |
|---|---|
| Date when filing requirement arose | June 14, 2024 |
| Number of share certificates, etc. held | 10,938,400 shares |
| Shareholding ratio | 6.12% |

(7) Voting Rights

1) Issued shares

As of March 31, 2024

| Category | Number of shares (shares) | | Number of voting rights (units) | Description |
|---|---|---|---|---|
| Shares without voting rights | | - | - | - |
| Shares with restricted voting rights (treasury stock, etc.) | | - | - | - |
| Shares with restricted voting rights (other) | | - | - | - |
| Shares with full voting rights (treasury stock, etc.) | Common stock | 700 | - | - |
| Shares with full voting rights (others) | Common stock | 178,497,000 | 1,784,970 | They represent the standard shares of the Company, with no restrictions on shareholders' rights, and the number of shares per one unit of shares is 100 shares. |
| Shares less than one unit | Common stock | 189,705 | - | - |
| Total number of issued shares | | 178,687,405 | - | - |
| Voting rights held by all shareholders | | - | 1,784,970 | - |

Note: The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. As a result, the total number of shares issued increased by 142,590,624 to 178,238,280 shares.

2) Treasury stock, etc.

As of March 31, 2024

| Shareholder | Shareholder's address | Number of shares held under its own name (shares) | Number of shares held in the name of others (shares) | Total number of shares held (shares) | Percentage of shares held to the total number of shares issued (%) |
|---|---|---|---|---|---|
| (Treasury stock) Socionext Inc. | 2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama | 700 | - | 700 | 0.00 |
| Total | - | 700 | - | 700 | 0.00 |

Note: 1 The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares.

2 As of March 31, 2024, there were 788 treasury shares.

## 2 Acquisition of Treasury Stock, Etc.

Type of shares: Acquisition of common stock under Article 155, Item 7 of the Companies Act

(1) Acquisition resolved at the general meeting of shareholders

Not applicable.

(2) Acquisition resolved by the Board of Directors

Not applicable.

(3) Details of acquisition not based on a resolution of the general meeting of shareholders or the Board of Directors

| Category | Number of shares (shares) | Total amount (yen) |
|---|---|---|
| Treasury stock acquired during the fiscal year ended March 31, 2023 | 788 | 2,818,372 |
| Treasury stock acquired during the period | - | - |

Notes: 1 The breakdown of purchase by exercise of appraisal rights for shares less than one unit in the fiscal year under review is 123 shares before the stock split and 173 shares after the stock split.

2 The number of shares of treasury stock acquired during the period does not include the number of shares purchased by exercise of appraisal rights for shares less than one unit from June 1, 2024, to the date of submission of the Annual Securities Report.

(4) Disposition and holding of acquired treasury stock

| Category | Fiscal year ended March 31, 2024 | | Current period for acquisition | |
|---|---|---|---|---|
| | Number of shares (shares) | Total disposition amount (yen) | Number of shares (shares) | Total disposition amount (yen) |
| Acquired treasury stock for which subscribers were solicited | – | – | – | – |
| Acquired treasury stock which was canceled | – | – | – | – |
| Acquired treasury stock which was transferred for merger, share exchange, share delivery, and company split | – | – | – | – |
| Others | – | – | - | - |
| Number of treasury stock held | 788 | – | 788 | - |

Notes: 1 The Company implemented a stock split on January 1, 2024, at a ratio of 1 common stock to 5 shares.

2 The number of shares of treasury stock disposed of during the period does not include the number of shares purchased by exercise of appraisal rights for shares less than one unit from June 1, 2024, to the date of submission of the Annual Securities Report.

## 3 Dividend Policy

One of the Company's key management priorities is to increase corporate value over the medium to long term while returning profits to shareholders. We aim to pay a stable dividend with a target consolidated dividend payout ratio of around 40%, taking into account the balance between advance investment in the development needed for future growth and maintaining a solid financial base as credit to customers. In addition, over the medium term, we will continue to invest in growth and maintain a strong financial base while promoting shareholder return with a target total return ratio of around 50% in order to further improve shareholder interests and capital efficiency.

In addition, the Articles of Incorporation stipulate that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, shall be determined by a resolution of the Board of Directors without a resolution of a general meeting of shareholders, and that an interim dividend may be paid with September 30 of each year as the record date, unless otherwise provided by law. The Company's basic policy is to pay dividends twice a year, an interim dividend and a year-end dividend, from the fiscal year ending March 2024 onward.

Based on this policy, at the Board of Directors meeting held on May 17, 2024, the Company resolved to set the year-end dividend at 25 yen per share, with a payment commencement date of June 5, 2024.

In order to expand its investor base and improve market liquidity, the Company implemented a stock split at a ratio of 1 common stock to 5 shares with an effective date of January 1, 2024. Since the interim dividend of 115 yen per share was paid on September 30, 2023, prior to the stock split, the annual dividend for the fiscal year under review is equivalent to 240 yen per share, if calculated on a pre-stock-split basis, including 115 yen of the interim dividend and 125 yen of the year-end dividend. After the stock split, the annual dividend for the fiscal year under review is equivalent to 48 yen per share including 23 yen of the interim dividend and 25 yen of the year-end dividend.

## 4 Corporate Governance, Etc.

### (1) Overview of corporate governance

#### 1) Basic views on corporate governance

Recognizing the importance of management as a company having social responsibilities, the Company has positioned the development of organizational structures and mechanisms to ensure transparency and fairness in decision-making and the building of a trusting relationship with all stakeholders, including shareholders, as one of its most important management issues. Accordingly, we aim to increase our corporate value and achieve sustainable growth through the implementation and continuous improvement of the Corporate Governance Code.

#### 2) Overview of corporate governance system and reasons for adoption

a Overview of corporate governance system

<Board of Directors>

The Board of Directors makes decisions on important matters of business execution stipulated by the Board of Directors regulation and matters required by laws and regulations, while continuously supervises the status of business execution. In addition, the Company employs multiple independent Outside Directors who are experts in diverse fields to strengthen the supervisory function of business execution and develop an effective system through appropriate advice. In principle, the Board of Directors meets once a month on a regular basis, and extraordinary meetings are held as necessary.

In addition, the Board of Directors, in accordance with the “Group Approval Authority and the Affiliate Management Regulations,” delegates part of its authority for management execution to the Management Committee, which is chaired by the CEO and composed of executive officers and others responsible for each division.

The Board of Directors consists of ten members in total, with five internal Directors and five Outside Directors.

Representative Director, Chairman, President and CEO: Masahiro Koezuka (Chairperson)
Internal Directors: Yutaka Yoneyama, Koichi Otsuki, Noriaki Kubo and Hisato Yoshida
Outside Directors: Masatoshi Suzuki, Sachiko Kasano, Yasuyoshi Ichikawa, Morimasa Ikemoto, and Noriko Yoneda

<Views on diversity in the Board of Directors, etc.>

The Company discloses a skills matrix that lists the knowledge, experience, and abilities of each director, as well as the combination of skills and other attributes possessed by directors in an appropriate form according to the management environment and business characteristics, along with policies and procedures regarding the election of directors.

Candidates for directors who are not members of the Audit & Supervisory Committee are determined by the Board of Directors based on the report of the Nomination and Compensation Committee, in which independent outside directors constitute the majority.

Candidates for directors who are members of the Audit & Supervisory Committee are determined by the Board of Directors based on the report of the Nomination and Compensation Committee, in which independent outside directors constitute the majority, and after obtaining the consent of the Audit & Supervisory Committee.

<Independence Standards and Qualifications for Outside Directors>

In electing independent Outside Directors, including Audit & Supervisory Committee members, the Company’s Nomination and Compensation Committee deliberates on the conformity with the standards and policies regarding independence, and reports the results to the Board of Directors, which deliberates and resolves the matter at its meeting.

The independence standards adopted and established by the Company are based on the requirements for outside directors as stipulated by the Companies Act and the requirements for independent directors as stipulated by the Tokyo Stock Exchange.

<Audit & Supervisory Committee>

The Audit & Supervisory Committee conducts audits on the legality and appropriateness of the execution of duties by Directors, ensures the soundness of the Company, and acts in the common interest of shareholders with a view to sustainable enhancement of corporate value. One full-time Audit & Supervisory Committee Member is elected to enhance the effectiveness of the audit and supervisory functions by attending important meetings and strengthening cooperation with the Accounting Auditor and Internal Audit Department. In addition, an Outside Director chairs the Committee. In principle, the Audit & Supervisory Committee meets once a month, and extraordinary meetings are held as necessary.

The Audit & Supervisory Committee consists of three Directors, of which three are Outside Directors.

Outside Directors: Yasuyoshi Ichikawa (Chairperson), Morimasa Ikemoto, and Noriko Yoneda

<Nomination and Compensation Committee>

The Nomination and Compensation Committee, which is composed of members elected from among the Directors by resolution of the Board of Directors, is established as a voluntary advisory body to the Board of Directors with the aim of improving transparency regarding election and compensation of Directors who are not Audit & Supervisory Committee Members and executive officers, and election of Directors who are Audit & Supervisory Committee Members. The Nomination and Compensation Committee is consulted by the Board of Directors and makes recommendations on the election and compensation for Directors who are not Audit & Supervisory Committee Members and executive officers, and the election of Directors who are Audit & Supervisory Committee Members. The Committee formulates election criteria and policies for the personnel of Directors and executive officers, and policies on the compensation for Directors who are not Audit & Supervisory Committee Members and executive officers, and deliberates compensation levels. To adopt independent perspectives, an Outside Director chairs the Committee and two-thirds of the Committee members are Outside Directors.

Outside Directors: Masatoshi Suzuki (Chairperson) and Sachiko Kasano
Representative Director, Chairman, President and CEO: Masahiro Koezuka

<Outside Directors' Meeting>
The Outside Board of Directors' group meeting is held every month to gather and share information necessary for Outside Directors' management decision-making and to exchange opinions including their ideas and the necessity of discussion for the Board of Directors. The meeting is chaired by a Lead Independent Outside Director. The Outside Directors' Meeting is composed of all Outside Directors, and the Representative Director participates as necessary.
Outside Directors: Masatoshi Suzuki (Chairperson), Sachiko Kasano, Yasuyoshi Ichikawa, Morimasa Ikemoto, and Noriko Yoneda
Representative Director, Chairman, President and CEO: Masahiro Koezuka

<Lead Independent Outside Director>
The Company selects a Lead Independent Outside Director from among the Independent Outside Directors.
The role of the Lead Independent Outside Director is to act as a liaison between the management and Independent Outside Directors and to facilitate dialogue between them. In addition, the person participates in the determination of the agenda of the regular Board of Directors meetings, and when necessary, convenes a meeting of outside officers while determining the agenda of the meeting and chairing it, and communicates the results of the deliberations to the management or the Board of Directors to encourage discussion.

<Management Committee>
The Management Committee deliberates and makes decisions on important matters relating to the execution of the Group's business and on important matters to be submitted to the Board of Directors, as determined by the Board of Directors regarding the transfer of authority. In principle, the Management Committee meets once a week and consists of the following members:
Representative Director, Chairman, President and CEO, executive officers, and organizational heads appointed by the CEO

<Risk and Compliance Committee>
The Risk and Compliance Committee discusses matters to identify, analyze and take measures for risks including information security, compliance and disasters for the Group. Business risks, such as those relating to the business environment, strategy, finance, labor management and supply chain, are deliberated by the Management Committee. The Risk and Compliance Committee meets quarterly and consists of the following members:
Chairperson: Representative Director, Chairman, President and CEO; Committee members: Executive officers, organizational heads appointed by the CEO

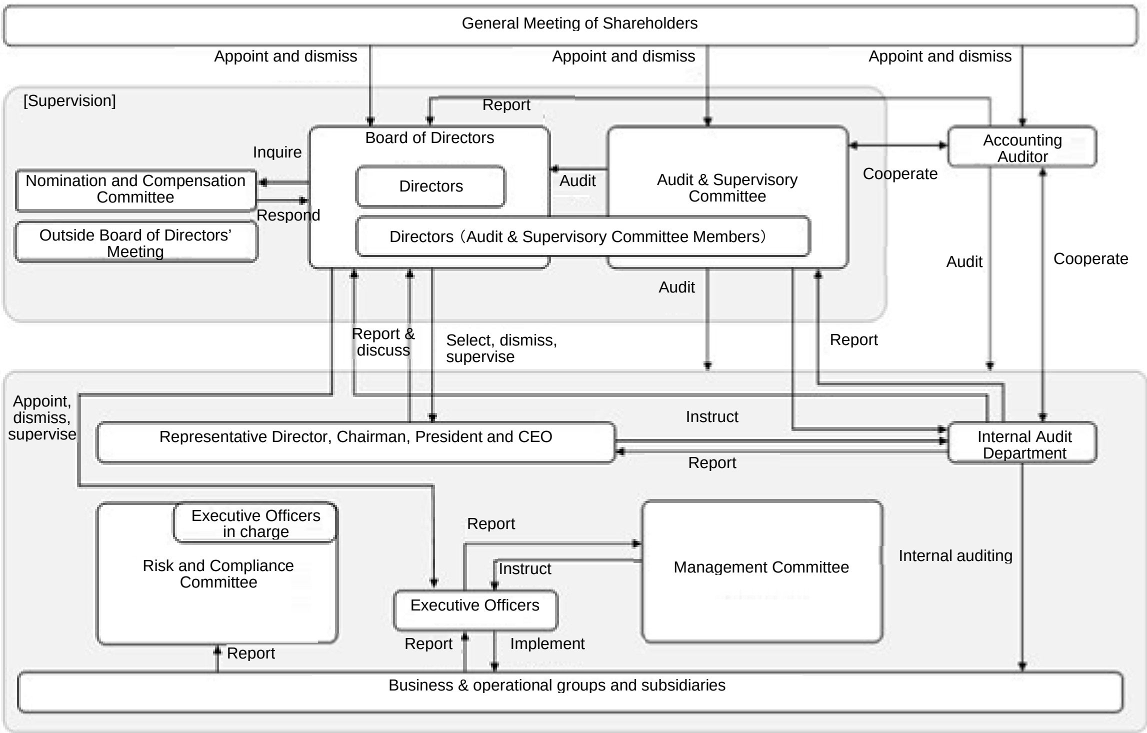
<Internal Audit Department>
The Internal Audit Department, which is established directly under the CEO, conducts internal audits on the overall development of internal controls over management activities and the status of execution of business in the Group. The Internal Audit Department's audit plan is approved by the CEO and the Audit & Supervisory Committee, and the results of the Internal Audit Department's audit are reported to the CEO and the Audit & Supervisory Committee. In addition, the Audit & Supervisory Committee can direct the Internal Audit Department as necessary.

b Reason for adoption of this system
To enhance corporate value over the medium to long term, the Company has established a corporate governance system based on a company with an Audit & Supervisory Committee.

- Strengthening supervisory functions
  The Board of Directors, which includes Independent Outside Directors, and the Audit & Supervisory Committee, a majority of whose members are independent Outside Directors, will strengthen the supervisory function over business execution.
- Ensuring management transparency
  The Company ensures management transparency by appointing independent Outside Directors so that they account for more than one-third of its Directors and by having the Nomination and Compensation Committee, a majority of whose members are independent Outside Directors, report to the Board of Directors on the nomination and compensation of officers.
- Acceleration of decision-making
  The Board of Directors focuses on guiding the course of action for management, making important decisions and overseeing the execution of business operations. By delegating its executive authority to the CEO and executive officers, we aim to promote business operations and increase corporate value through accelerated decision-making.

The corporate governance structure of Socionext Inc. is as follows.

<Chart of corporate governance structure>



3) Other matters related to corporate governance

a Development and operation of internal control system

The Group's status of development and operation of internal control system is outlined below.

| ◆ Basic Policy on the Development of Internal Control Systems | ◆ Overview of status of development and operation |
|---|---|
| Pursuant to the Companies Act and the Regulations for Enforcement of the Companies Act, the Company shall establish an internal control system for a corporate group consisting of the Company and its subsidiaries (hereinafter referred to as "the Group") in order to ensure the appropriateness of business operations. | An outline of the operational status of the system to ensure the appropriateness of business operations during the fiscal year under review is as follows. |

(1) Systems to ensure that the execution of the duties by Directors and employees complies with laws and regulations and the Articles of Incorporation

| ◇ Systems | ◇ Overview of status of development and operation |
|---|---|
| [1] The Company shall be committed to promoting compliance, including compliance with laws and regulations and the Articles of Incorporation, by establishing internal rules, such as the CSR Policy and compliance codes, and making officers and employees of the Group fully understand and comply with them. | • We strive to comply with laws and regulations by ensuring that all officers and employees are fully aware of our basic philosophy, value, Action Guidelines, the CSR Policy and compliance codes. |
| [2] The Company shall clarify laws and regulations pertaining to business activities of the Group, establish internal rules necessary for compliance with them, conduct education, and develop a monitoring system. | • Specifically, we are strengthening our compliance system by appointing a Risk Compliance Officer for each division under the Risk and Compliance Committee.<br>• We use e-learning to provide all officers and employees with various types of compliance education, including matters related to the prevention of insider trading, information security, prevention of harassment and procurement transactions. |
| [3] If an officer or employee of the Group becomes aware of any facts that may constitute a material breach of compliance in connection with the conduct of business activities of the Group, he or she shall immediately notify the Board of Directors and Audit & Supervisory Committee of the Company of such fact through the normal line of business. | • The Group's officers and employees who become aware of potential non-compliance issues should report them to the line manager, and the details should be reported to the Board of Directors and the Audit & Supervisory Committee. |
| [4] In order to enable early detection of compliance issues, the Company shall set up internal and external contact points for whistleblowing from officers and employees of the Group, while ensuring the system to protect whistleblowers. | • We are developing and expanding our global Whistleblowing System and make the rules for the usage known. In addition, we pursue the prohibition of adverse treatment or retaliation against the whistleblower as well as the protection of the whistleblower. |
| [5] The Board of Directors of the Company shall receive regular reports on the execution of duties from the person performing the duties in the Group and shall confirm that there is no non-compliance in the execution of duties. | • The Board of Directors of the Company receives regular reports on the execution of duties from the person performing the duties in the Group and confirms that there is no non-compliance in the execution of duties. |
| [6] The Company shall conduct an internal audit in order to confirm the status of business execution in the Group, ensure compliance with laws and regulations and the Articles of Incorporation, etc. and make improvements in operational efficiency. | • The Company conducts an internal audit by the Audit Department in order to confirm the status of business execution in the Group, ensures compliance with laws and regulations and the Articles of Incorporation, etc. and makes improvements in operational efficiency. |
| [7] The Group shall take a firm stand against antisocial forces, have no relationship with them and deal with them systematically in coordination with external professional organizations. | • In order to prevent transactions with anti-social forces, we check the appropriateness of transactions as an essential response in our business processes. |

(2) Systems under which information regarding execution of duties by Directors shall be retained and managed

◇ Systems

[1] The Company shall properly store and manage documents related to the execution of duties by Directors and other important information in accordance with the Important Document Management Regulations, after appointing a person in charge of retention.

[2] The Company shall establish a system in which Directors have access at all times to documents to confirm the status of the execution of their duties.

◇ Overview of status of development and operation

- In accordance with the Important Document Management Regulations, minutes of general meetings of shareholders, minutes of meetings of the Board of Directors, minutes of meetings of Management Committee and the approval documents, etc., as the Company’s important documents and information, are properly stored and managed with a person responsible for the storage and the method of storage specified.
- The Company has established a system in which Directors can view documents to confirm the status of execution of duties at all times.

(3) Regulations and other systems for the risk management of loss

◇ Systems

[1] The Company shall establish a risk management system in accordance with the Risk Management Code. Risk management for overall management shall be conducted by the Management Committee, and risk management for disasters/accidents, compliance, information security, etc. shall be conducted by the Risk and Compliance Committee.

[2] The Company shall systematically and continuously extract and evaluate risks that could cause losses to the Group, appoint an officer for each extracted risk item to clarify a system of responsibility, and formulate and implement measures. In addition, when risks materialize, the Company shall take necessary measures to minimize losses arising.

[3] Based on the Business Continuity Plan (BCP)/Business Continuity Management (BCM) Code, the Company shall clarify a system of responsibility, prepare for a contingency such as disasters in the Group and its business partners, and conduct activities to ensure business continuity of the Group.

[4] In accordance with the Information Security Code, the Company shall clarify a system of responsibility and implement specific measures for the Group’s information security.

[5] The Company shall regularly report to the Board of Directors on the status of the Group’s risk management activities.

◇ Overview of status of development and operation

- In addition to the Board of Directors Regulations and the Management Committee Regulations, the Company has established the Risk Management Code and has developed a global risk management system.
- We have established a risk management process and regularly have a company-wide risk review conducted by the Management Committee. Through this process, we ascertain information on the latest risk status, appoint an officer for each risk, develop measures and countermeasures against risks, and check on the progress thereof.
- The Risk and Compliance Committee reports information security incidents and cyber security and confirms the progress of countermeasures, and checks whether any violations of laws or regulations have occurred.
- As part of the BCP/BCM initiative, we continuously engage in activities such as developing manuals and conducting BCP drills based on our policies during normal times. During the fiscal year under review, we conducted a drill in anticipation of a large-scale disaster, and reviewed the manual based on the issues raised there.
- The Information Security Promotion Office was established to further strengthen the information security system. In addition to promoting the development of information security rules throughout the Group, various information security measures were implemented, including the introduction of multi-factor authentication, information security training for officers, and drills for targeted e-mail attacks.
- The activities of the Management Committee and the Risk and Compliance Committee are regularly and occasionally reported to the Board of Directors.

(4) Systems to ensure efficient execution of duties by Directors

| ◇ Systems | ◇ Overview of status of development and operation |
|---|---|
| [1] The Company shall separate the supervisory function from the executive function of management, and the Board of Directors of the Company shall determine basic management policies and important business execution etc., and supervise executive function. The Company shall introduce an executive officer system, and CEO and executive officers are responsible for the executive functions of the business. In addition, the Management Committee shall be established to efficiently conduct multifaceted reviews in the executive function, and it deliberates and decides on important matters related to management strategy and business execution. | • Directors make important management decisions promptly at the Board of Directors meetings and supervise the execution of duties. In addition, among the agenda presented to the Board of Directors meetings, important management issues are discussed and reviewed in advance by the Management Committee to enhance deliberations. In addition, through the introduction of the executive officer system, the Company endeavors to accelerate business execution.<br>• Specifically, we are improving efficiency in the execution of duties by Directors through the following management, etc.<br>- By clarifying the business model and the business areas of Solution SoC and promoting a business transformation and shift of resources to growth areas, we are focusing on large-scale global business opportunities and development for business expansion and growth.<br>- To enable efficient and quick development, we are promoting visualization of development resources and building a system that enables timely resource assignment.<br>- We have been building and strengthening a structure for execution of duties as a listed company, including enhancement of public relations and investor relations functions and stock-related legal functions. In addition, the ESG Promotion Office was established to promote the construction, execution and disclosure of ESG-related business processes required internally and externally. |
| [2] The Company shall clarify the duties of the Group's officers and employees and the reporting obligations of its subsidiary officers and employees to the Company in accordance with the Socionext Group Approval Authority and the Affiliate Management Regulations and the Regulations on Organization and Separation of Duties. | • In accordance with the Management Committee Regulations and the Socionext Group Approval Authority and the Affiliate Management Regulations, important matters relating to the business activities of the Group are set forth and administered as matters to be approved by and reported to the Management Committee. In addition, presidents of the Group Company make monthly business reports to the Management Committee members, etc.<br>• In the Group Company, the Company officers and employees are assigned to serve as officers of the Group Company to strengthen guidance, support and supervision on the development of operational systems. In addition, we establish the codes applicable to the entire Group Company to strengthen the management system of the Group Company. |
| [3] The Company shall establish a system for the efficient and lawful conduct of the Group's business by establishing the business process fundamentals for the business. | • The Company establishes a system for the efficient and lawful conduct of the Group's business by establishing the business process fundamentals for the business. In addition, we conduct internal audits of business processes and take corrective actions as necessary, while continuously improving the processes. |
| [4] The Company shall continuously promote the development of internal control systems and the reform of business processes in the Group. | • The Internal Audit Department conducts internal audits of the Group as a whole to ensure that the Group is performing its duties in accordance with the Socionext Group Approval Authority and the Affiliate Management Regulations and the rules of business processes. |

| | |
|---|---|
| [5] The Company shall disseminate its management policy throughout the Group and formulate a business plan in March of each year that includes the next fiscal year and beyond. At monthly meetings of the Board of Directors, the Company shall monitor and supervise the achievement of management objectives by reporting on financial results and the status of business execution. | • The Group formulates a business plan in March every year that includes the following fiscal year and years beyond. In addition to quarterly management, the Group strives to manage management indicators and targets over the course of multiple fiscal years. Under this structure, we strive to confirm the feasibility of design wins and sales plans, promote comprehensive cost and gross margin improvements, upgrade our market strategy and check the validity of up-front development investments when it comes to design wins and lead generation, globalize and improve the efficiency of SCM, and globalize and improve the efficiency of corporate operations, while at the same time building and strengthening the IT infrastructure that supports our business activities. The status of these initiatives is reported to the Board of Directors monthly. |

(5) Matters relating to Socionext Personnel assisting with the duties of the Audit & Supervisory Committee, matters relating to the independence of such personnel from Directors, and matters relating to ensuring the effectiveness of directions given to such personnel

| ◇ Systems | ◇ Overview of status of development and operation |
|---|---|
| [1] The Company shall have Socionext Personnel to assist with the duties of the Audit & Supervisory Committee of the Company and shall assign appropriate personnel with the abilities and knowledge required by the Audit & Supervisory Committee of the Company. | • The Company has established an Audit & Supervisory Committee Secretariat to support the duties of the Audit & Supervisory Committee and assigns appropriate personnel. |
| [2] In order to ensure the independence of the Socionext Personnel referred to in the preceding item and the effectiveness of directions given to such Socionext Personnel by the Audit & Supervisory Committee of the Company, the Company shall obtain the consent of the Audit & Supervisory Committee of the Company with respect to matters relating to personnel, such as appointment, transfer and compensation of such Socionext Personnel. | • The Company obtains the consent of the Audit & Supervisory Committee with respect to appointment, transfer and compensation of such personnel assisting with the Audit & Supervisory Committee. |
| [3] In principle, the Company shall not allow the Socionext Personnel described in [1] above to serve concurrently with any other organizations. However, when it becomes necessary to have the Socionext Personnel with special expertise concurrently serve at the request of the Audit & Supervisory Committee of the Company, consideration shall be given to ensuring the independence set forth in the preceding paragraph. | • Audit & Supervisory Committee Secretariat is a full-time system and has no concurrent staff. |

(6) System for reporting to the Audit & Supervisory Committee

| ◇ Systems | ◇ Overview of status of development and operation |
|---|---|
| [1] Officers and employees of the Group shall periodically report the performance of their duties to the Audit & Supervisory Committee of the Company and provide Audit & Supervisory Committee members with opportunities to attend important meetings. | • The Audit & Supervisory Committee receives reports on the status of the execution of duties from the CEO and executive officers, etc. on a regular and occasional basis. In addition, the Audit & Supervisory Committee Members attend important meetings such as the Board of Directors, the Management Committee, and meetings for performance reporting, and conduct investigations and interviews with each division and exchange opinions with Directors of the Company. |
| [2] Officers and employees of the Group shall immediately report to the Audit & Supervisory Committee of the Company when a risk affecting their management or performance occurs or when they become aware of a fact that constitutes a material breach of compliance with respect to the conduct of their business activities. | • Officers and employees of the Group immediately report to the Audit & Supervisory Committee of the Company when a risk affecting their management or performance occurs or when they become aware of a fact that constitutes a material breach of compliance with respect to the conduct of their business activities. |
| [3] The Group shall not treat any officers or employees unfavorably for the reason of making a report under the preceding two items. | • The Group does not treat its officers and employees who report to the Audit & Supervisory Committee unfavorably for the reason of having made a report under the preceding two items. |

(7) Other Systems for Ensuring Effectiveness of Audit by the Audit & Supervisory Committee

| ◇ Systems | ◇ Overview of status of development and operation |
|---|---|
| [1] Officers and employees of the Group shall exchange information with the Audit & Supervisory Committee upon request from the Audit & Supervisory Committee. | • Officers and employees of the Group exchange information with the Audit & Supervisory Committee upon request from the Audit & Supervisory Committee. |
| [2] The Audit Department shall regularly report the status and results of audits to the Audit & Supervisory Committee. The Audit & Supervisory Committee may give instructions to the Audit Department as necessary. | • The Audit & Supervisory Committee works closely with the Internal Audit Department, which is the internal audit division, to improve the effectiveness and efficiency of audits by exchanging information and opinions with each other on a regular basis and when necessary. |
| [3] The Audit & Supervisory Committee shall receive reports from accounting auditors on plans and results of accounting audits from time to time, and periodically exchange information with accounting auditors. | • The Audit & Supervisory Committee receives periodic and occasional reports from accounting auditors and exchanges information and opinions. |
| [4] Expenses incurred in the performance of the duties of the Audit & Supervisory Committee of the Company shall be in accordance with Article 399-2, Paragraph 4 of the Companies Act, and the Company shall establish procedures for the requests in the same paragraph. | • Expenses of the Audit & Supervisory Committee are properly settled in response to requests from Audit & Supervisory Committee Members. |

b Matters to be resolved at general meetings of shareholders eligible for delegation to the Board of Directors

(a) Acquisition of the Company’s own shares

The Articles of Incorporation stipulate that the Company may acquire its own shares upon a resolution of the Board of Directors pursuant to the provisions of Article 459, Paragraph 1 of the Companies Act. The purpose of this provision is to facilitate the flexible acquisition of treasury stock.

(b) Decision-making body on dividends of surplus, etc.

The Articles of Incorporation stipulate that matters stipulated in each item of Article 459, Paragraph 1 of the Companies Act, such as dividends of surplus, shall be determined by a resolution of the Board of Directors without a resolution of a general meeting of shareholders, and that an interim dividend may be paid with September 30 of each year as the record date, unless otherwise provided by law. The purpose of this provision is to enable the Company to return profits to shareholders more flexibly.

(c) Exemption from liability of Directors

The Articles of Incorporation stipulate that, in accordance with Article 426, Paragraph 1 of the Companies Act, the Company may, by a resolution of the Board of Directors, exempt a Director (including a former Director) from being held liable for actions specified in Article 423, Paragraph 1 of the Companies Act to the extent permitted by applicable laws and ordinances. The purpose of this provision is to create an environment in which Directors can fully exercise their abilities to fulfill their expected roles in performing their duties.

c Number of Directors

The Articles of Incorporation stipulate that the number of the Company's Directors shall be no more than 10.

d Requirements for the adoption of resolutions for the election of Directors

The Articles of Incorporation stipulate that the presence of shareholders representing no less than one-third of the voting rights held by the total shareholders entitled to exercise their voting rights and a majority of the votes held by those shareholders are required for the adoption of resolutions necessary to approve the election of Directors, and the resolution shall not be adopted by cumulative voting.

e Requirements for the adoption of special resolutions of general meetings of shareholders

The Articles of Incorporation stipulate that the presence of shareholders representing no less than one-third of the voting rights held by the total shareholders entitled to exercise their voting rights and at lease two-thirds of the votes held by those shareholders are required for the adoption of special resolutions of general meetings of shareholders which are stipulated in Article 309, Paragraph 2 of the Companies Act. The purpose of this provision is to facilitate the smooth operation of general meetings of shareholders by easing the quorum requirement for special resolutions.

f Outline of contracts for limitations of liability

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with each Director who is not an Executive Director to limit his or her liability for damages, as stipulated under Article 423, Paragraph 1 of the Companies Act.

The amount of liability under the said agreements shall be limited to the minimum liability amount stipulated in Article 425, Paragraph 1 of the Companies Act.

Such limitation of liability is permitted only when the Director concerned acts in good faith and without gross negligence in the performance of duties that caused the liability.

g Outline of contents for indemnity agreement

The Company has entered into indemnity agreements stipulated in Article 430-2, Paragraph 1 of the Companies Act with all Directors. Under the agreements, the Company will provide compensation for expenses in Paragraph 1, Item 1 of the said Article and losses in Item 2 of the said Paragraph within the range stipulated by laws and regulations. In order to ensure that the appropriate execution of duties by corporate officers is not undermined by the indemnity agreement, the Company stipulates that in the event that an officer executes his or her duties for the purpose of pursuing his or her own or a third party's illicit gain or causing damage to the Company, the Company may claim reimbursement of the expenses under Item 1 of the same paragraph, and in the event that there is malicious intent or gross negligence in the execution of his or her duties, the loss under Item 2 of the same paragraph shall not be covered by indemnity.

h Outline of officers' liability insurance contract

The Company has entered into officers' liability insurance contracts with insurance companies as provided in Article 430-3, Paragraph 1 of the Companies Act with Directors (including Directors who are Audit & Supervisory Committee Members), executive officers and managers etc. of the Company and officers and managers etc. of the Company's subsidiaries as insured persons. Under such insurance contracts, the Company is responsible for all premiums, and the insurance company indemnifies the insured against any indemnities and litigation costs that the insured may incur if the insured receives a claim for damages in the performance of its duties.

4) Activities of the Board of Directors and the Nomination and Compensation Committee

a Board of Directors

In principle, the Board of Directors meets once a month on a regular basis, and extraordinary meetings are held as necessary.

The Board of Directors deliberated and made necessary decisions on the revisions of various policies, regulations, and internal systems and the preparation of related documents; the formulation and advancement of business strategies, management issues, and business plans; the proposals of general meetings of shareholders; sustainability related matters; the strengthening of development systems; the conclusion of important agreements; the formulation of policies for determining the compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) and the determination of individual compensation; risk and compliance-related matters; and the establishment and operation of internal control systems, among others. Simultaneously it received reports on the status of business execution from Directors and executive officers.

The attendance of each Director for the fiscal year ended March 31, 2024, is as follows:

| Position | Name | Attendance |
|---|---|---|
| Representative Director | Masahiro Koezuka | 14 out of 14 (100%) |
| Director | Koichi Otsuki | 14 out of 14 (100%) |
| Director | Noriaki Kubo | 14 out of 14 (100%) |
| Director | Yutaka Yoneyama | 14 out of 14 (100%) |
| Director | Hisato Yoshida | 11 out of 11 (100%) |
| Director | Shin-ichi Ando | 3 out of 3 (100%) |
| Outside Director | Katsushi Kitajo | 3 out of 3 (100%) |
| Outside Director | Masatoshi Suzuki | 14 out of 14 (100%) |
| Outside Director | Sachiko Kasano | 14 out of 14 (100%) |
| Outside Director (Audit & Supervisory Committee Member) | Yasuyoshi Ichikawa | 14 out of 14 (100%) |
| Outside Director (Audit & Supervisory Committee Member) | Morimasa Ikemoto | 11 out of 11 (100%) |
| Outside Director (Audit & Supervisory Committee Member) | Noriko Yoneda | 11 out of 11 (100%) |
| Director (Audit & Supervisory Committee Member) | Tsuyoshi Sakuma | 3 out of 3 (100%) |

Notes: 1 Shin-ichi Ando and Katsushi Kitajo retired at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, and the status up to that time is shown.

2 As Sachiko Kasano retired from the position of Director (Audit & Supervisory Committee Member) at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, and assumed the position of Director who is not an Audit & Supervisory Committee Member in the said General Meeting of Shareholders, her attendance record includes those attended as a Director (Audit & Supervisory Committee Member).

3 Tsuyoshi Sakuma retired from the position of Director (Audit & Supervisory Committee Member) at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, and the status up to that time is shown.

b Nomination and Compensation Committee

The Nomination and Compensation Committee meets at least twice in each fiscal year and held 17 meetings in the fiscal year ended March 31, 2024.

The Nomination and Compensation Committee deliberated on the composition of the Board of Directors; policies for the appointment and dismissal of Directors and executive officers; independence standards for Outside Directors; matters related to the compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) and executive officers (basic policy, policies on determining the details of compensation, etc. for individuals, and the details of compensation, etc. for individuals ); proposals associated with compensation to be proposed at the General Meeting of Shareholders; and a succession plan, among others. Additionally, it made necessary reports to the Board of Directors.

The attendance of each Committee Member for the fiscal year ended March 31, 2024, is as follows:

| Position | Name | Attendance |
|---|---|---|
| Chairperson (Outside Director) | Masatoshi Suzuki | 17 out of 17 (100%) |
| Committee Member (Outside Director) | Katsushi Kitajo | 3 out of 3 (100%) |
| Committee Member (Outside Director) | Sachiko Kasano | 14 out of 14 (100%) |
| Committee Member (Representative Director and CEO) | Masahiro Koezuka | 17 out of 17 (100%) |

Note: Katsushi Kitajo retired from the position of Outside Director at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, and the status up to that time is shown.

(2) Directors and Officers

1) List of Directors and officers

Male: 8; Female: 2 (ratio of female Directors and officers: 20.0%)

| Title | Name | Date of birth | Career summary | | Term | Number of shares held (shares) |
|---|---|---|---|---|---|---|
| Representative Director, Chairman, President and CEO | Masahiro Koezuka | December 14, 1951 | April 1974<br>June 2010<br>May 2013<br>September 2014<br>February 2015<br>April 2016<br>April 2018<br>March 2022 | Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry)<br>Director, Senior Managing Executive Officer of Fujitsu Limited<br>Director, Senior Executive Vice Chairman<br>Representative Director of Socionext Inc. (Preparation Company)<br>Director<br>Representative Director and Chairman of Fujitsu Research Institute<br>Representative Director, Chairman and CEO of Socionext Inc.<br>Representative Director, Chairman, President and CEO (current position) | (Note 2) | 52,865 |
| Director and Deputy President and CFO | Yutaka Yoneyama | June 20, 1962 | April 1985<br>April 2013<br>March 2015<br>July 2018<br>July 2020<br>March 2022<br>April 2022<br>April 2024 | Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)<br>Accounting Group Manager of System LSI Division of Panasonic Corporation (currently Panasonic Holdings Corporation)<br>Deputy General Manager, Corporate Finance Division of Socionext Inc.<br>General Manager, Corporate Finance Division<br>General Manager, Corporate Finance Division and Corporate Affairs & HR<br>Director Senior Vice President of Corporate Finance Division and Corporate Affairs & HR, and Intellectual Property & Legal<br>Director and Corporate Executive Vice President<br>Director and Deputy President and CFO in charge of Finance & Business Administration (current position) | (Note 2) | 17,670 |
| Director and Deputy President | Koichi Otsuki | July 22, 1963 | April 1988<br>July 2013<br>March 2015<br>October 2016<br>October 2018<br>April 2019<br>June 2019<br>March 2022<br>April 2022 | Joined Fujitsu Limited<br>Manager of High-Performance Solution Department of Advanced Product Business Headquarters of Fujitsu Semiconductor Limited (currently Fujitsu Limited)<br>Vice President of Custom SoC Business Unit, Business Group II of Socionext Inc.<br>Corporate Senior Vice President<br>Corporate Senior Executive Vice President, Project leader for Custom Business Promotion Project<br>Corporate Senior Executive Vice President, Head of Sales Group<br>Representative Director, Corporate Senior Executive Vice President, Head of Sales Group<br>Director, Corporate Senior Executive Vice President, Head of Sales Group<br>Director and Deputy President in charge of Sales & Business Development as well as Strategic Sourcing & Production Management (current position) | (Note 2) | 49,985 |

| Title | Name | Date of birth | Career summary | | Term | Number of shares held (shares) |
|---|---|---|---|---|---|---|
| Director and Deputy President | Noriaki Kubo | August 9, 1963 | April 1986<br>October 2012<br><br><br><br>March 2015<br><br>October 2016<br>June 2018<br><br>April 2019<br><br><br>April 2021<br><br>April 2022<br><br>April 2024 | Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)<br>Head of Hardware Technology Headquarters, System LSI Division of Panasonic Corporation (currently Panasonic Holdings Corporation)<br>Vice President, IoT Systems Business Unit, Business Group I of Socionext Inc.<br>Corporate Senior Vice President<br>Corporate Senior Executive Vice President of Visual Solutions Business Unit<br>Director, Corporate Senior Executive Vice President, Head of Automotive & Industrial Business Group<br>Director, Corporate Senior Executive Vice President in charge of Business Group<br>Director and Deputy President in charge of Business and Development<br>Director and Deputy President in charge of Business (current position) | (Note 2) | 49,885 |
| Director and Deputy President | Hisato Yoshida | November 3, 1963 | April 1988<br>April 2010<br>March 2015<br>April 2019<br>January 2021<br>April 2022<br>June 2023<br>April 2024 | Joined Matsushita Electric Industrial Co., Ltd. (currently Panasonic Holdings Corporation)<br>Group Manager of Fourth Development Group of First Business Division of System LSI Division of Panasonic Corporation (currently Panasonic Holdings Corporation)<br>Director, Development Department IV of IoT System Business Unit, Business Group I of Socionext Inc.<br>General Manager, System Development Division, Automotive & Industrial Business Group<br>Vice Head of Global Development Group and Vice Head of SNDP Promotion Group<br>Corporate Executive Vice President and Head of Global Development Group<br>Director and Corporate Executive Vice President, and Head of Global Development Group<br>Director and Deputy President in charge of Development (current position) | (Note 2) | 17,670 |
| Director | Masatoshi Suzuki | October 30, 1951 | April 1975<br>June 2008<br>June 2012<br>October 2012<br>June 2020<br>June 2021 | Joined Nippon Telegraph and Telephone Public Corporation (currently Nippon Telegraph and Telephone Corporation)<br>Senior Executive Vice President, NTT DoCoMo, Inc. (currently NTT DOCOMO, INC.)<br>Senior Executive Vice President, MIRAIT Holdings Corporation (currently MIRAIT ONE Corporation)<br>Representative Director, President<br>Director and Advisor<br>Outside Director of Socionext Inc. (current position) | (Note 2) | 0 |
| Director | Sachiko Kasano | April 14, 1977 | October 2001<br>January 2016<br>June 2021<br>March 2022<br>June 2023<br>June 2023<br>November 2023 | Qualified as an attorney and joined Miyakezaka Sogo Law Office<br>Attorney-at-law of Kasumimon Sogo Law Offices (currently SHIOMIZAKA), Attorney (current position)<br>Outside Audit & Supervisory Board Member of Socionext Inc.<br>Outside Director (Audit & Supervisory Committee Member)<br>Outside Director of Socionext Inc. (current position)<br>Outside Director (Audit & Supervisory Committee Member) of Restar Holdings Corporation (currently Restar Corporation) (current position)<br>Outside Statutory Auditor of PRAP Japan, Inc. (current position) | (Note 2) | 0 |

| Title | Name | Date of birth | Career summary | Term | Number of shares held (shares) |
|---|---|---|---|---|---|
| Director (Audit & Supervisory Committee Member) | Yasuyoshi Ichikawa | July 16, 1961 | October 1985 Joined Tohmatsu Awoki & Co. (currently Deloitte Touche Tohmatsu LLC)<br>August 2018 Executive officer of Deloitte Touche Tohmatsu LLC (in charge of Quality Control)<br>December 2020 Member of Yasuyoshi Ichikawa Certified Public Accountant Office, Certified Public Accountant (current position)<br>March 2022 Outside Director (Audit & Supervisory Committee Member) (current position)<br>June 2023 Outside Statutory Auditors of Dai Nippon Printing Co., Ltd. (current position) | (Note 3) | 0 |
| Director (Audit & Supervisory Committee Member) | Morimasa Ikemoto | January 4, 1954 | April 1979 Joined Fujitsu Limited<br>June 2012 General Manager, Corporate Internal Audit Division<br>June 2014 Full-time Corporate Auditor, FUJITSU COMPONENT LIMITED (currently FCL COMPONENTS LIMITED)<br>June 2016 Director (Audit & Supervisory Committee Member)<br>June 2018 Outside Director of Socionext Inc.<br>July 2022 Advisor<br>June 2023 Outside Director of Socionext Inc. (Audit & Supervisory Committee Member) (current position) | (Note 3) | 0 |
| Director (Audit & Supervisory Committee Member) | Noriko Yoneda | June 30, 1975 | October 2001 Qualified as an attorney and joined Tatsuno, Ozaki & Fujii Law Office<br>October 2014 Joined TMI Associates<br>July 2020 Established Kobe Grace Law Office, Representative Attorney (current position)<br>March 2023 Outside Director of KEIWA Incorporated (current position)<br>June 2023 Outside Director of Socionext Inc. (Audit & Supervisory Committee Member) (current position) | (Note 3) | 0 |
| Total | | | | | 188,075 |

Notes:
1. Directors Masatoshi Suzuki, Sachiko Kasano, Yasuyoshi Ichikawa, Morimasa Ikemoto and Noriko Yoneda are Outside Directors.
2. From the conclusion of the Ordinary General Meeting of Shareholders held on June 26, 2024, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025.
3. From the conclusion of the Ordinary General Meeting of Shareholders held on June 28, 2023, to the conclusion of the Ordinary General Meeting of Shareholders for the fiscal year ending March 31, 2025.
4. The number of shares held represents the current status as of March 31, 2024.
5. Director Sachiko Kasano’s name on the family register is Sachiko Yanai.
6. Director (Audit & Supervisory Committee Member) Noriko Yoneda’s name on the family register is Noriko Oshima.
7. In order to enhance the supervisory function of the Board of Directors and accelerate the execution of business operations by delegating its authority to the executive division, the Company has introduced an executive officer system, separating the “management decision-making and supervisory functions” from the “business execution functions.” The following seven executive officers (as of the submission date) are not serving as Directors.
   Mitsugu Naito Corporate Executive Vice President
   Seiji Goto Corporate Senior Vice President
   Takehiro Kamada Corporate Senior Vice President
   Tadashi Saito Corporate Senior Vice President
   Koji Kitamura Corporate Senior Vice President
   Yutaka Hayashi Corporate Senior Vice President
   Masaitsu Nakajima Corporate Senior Vice President
8. In order to prepare for the case where the number of Directors who are Audit & Supervisory Committee Members falls short of the number stipulated by laws and regulations, the Company has elected one (1) Substitute Director who is an Audit & Supervisory Committee Member as prescribed in Article 329, Paragraph 3 of the Companies Act. The Substitute Director who is an Audit & Supervisory Committee Member is as follows.

| Name | Date of birth | Career summary | Number of shares held (shares) |
|---|---|---|---|
| Go Anan | March 20, 1977 | October 2001 Registered as an attorney<br>Joined Mori Sogo (currently Mori Hamada & Matsumoto)<br>April 2007 Joined Sueyoshi Sogo Law Office (currently SHIOMIZAKA) (current position)<br>May 2021 Independent Audit & Supervisory Board Member, INFORICH INC. (current position)<br>June 2022 Outside Director, AGP CORPORATION (current position) | 0 |

2) Outside Directors and Audit & Supervisory Committee Members

The Company has elected two (2) Directors who are not Audit & Supervisory Committee Members and three (3) Directors who are Audit & Supervisory Committee Members as Outside Directors.

Masatoshi Suzuki, Outside Director who is not an Audit & Supervisory Committee Member, has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. Leveraging a wealth of management experience gained from having served as a Representative Director and other positions at listed companies, he, as the Lead Independent Outside Director, supervises and advises management from an objective and neutral standpoint. In addition, as Chairman of the Nomination and Compensation Committee, he provides various opinions and proposals from an independent standpoint, and contributes to enhancement of supervisory functions, transparency and fairness in the process of determining the content of proposals for election of directors and officers compensation, etc. Therefore, we believe that he will be able to appropriately perform his duties as an Outside Director from an independent position and have elected him Outside Director who is not an Audit & Supervisory Committee Member.

Sachiko Kasano, Outside Director who is not an Audit & Supervisory Committee Member, has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. Based on her extensive experience as an attorney and her deep insight into corporate legal affairs and compliance, she supervises and advises management from an objective and neutral standpoint. Prior to her retirement as an Outside Director (Audit & Supervisory Committee Member), she led audits of execution of duties by Directors and promoted the management of the Committee as Chairman of the Audit & Supervisory Committee. In addition, as a member of the Nomination and Compensation Committee, she provides various opinions and proposals from an independent standpoint, and contributes to enhancement of supervisory functions, transparency and fairness in the process of determining the content of proposals for election of directors and officers compensation, etc. While she has no experience of being involved in corporate management other than having served in the past as Outside Officer, the Company concluded that she will be able to perform her duties appropriately from an independent standpoint and has elected her as an Outside Director who is not an Audit & Supervisory Committee Member.

Yasuyoshi Ichikawa, Outside Director (Audit & Supervisory Committee Member), has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. Based on his extensive experience as a certified public accountant and his deep insight into financial accounting, he supervises and advises management from an objective and neutral standpoint. In addition, as Chairman of the Audit & Supervisory Committee, he leads audits of execution of duties by Directors and promotes management of the Committee. While he has no experience of being involved in corporate management other than having served in the past as Outside Officer, the Company concluded that he will be able to perform his duties appropriately from an independent standpoint and has elected him Outside Director (Audit & Supervisory Committee Member).

Morimasa Ikemoto, Outside Director (Audit & Supervisory Committee Member), had an advisory contract with the Company from July 2022 until his appointment as a Director who is a member of the Audit & Supervisory Committee of the Company in June 2023, but the amount was less than the standard amount (10 million yen per year) stipulated in the Company's "Independence Standards for Outside Directors" and the Company has determined that this does not affect his independence. He has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries except for the said contract. He has served as Director who is an Audit & Supervisory Committee Member and a full-time Auditor of listed companies, and supervises and advises management taking advantage of extensive experience and from professional standpoints regarding finance and accounting, and internal control and auditing from an objective and neutral standpoint. In addition, as a full-time Audit & Supervisory Committee Member, he audits execution of duties by Directors based on his expert knowledge. Therefore, the Company concluded that he will be able to perform his duties appropriately as Outside Director who is an Audit & Supervisory Committee Member and have elected him as Outside Director (Audit & Supervisory Committee Member).

Noriko Yoneda, Outside Director (Audit & Supervisory Committee Member), has no personal, capital, or business relationship, nor any other conflicts of interests with the Company and its subsidiaries. Based on her extensive experience as an attorney and her deep insight into corporate legal affairs and compliance, she supervises and advises management from an objective and neutral standpoint. In addition, as a member of the Audit & Supervisory Committee, she audits execution of duties by Directors based on her expert knowledge. While he has no experience of being involved in corporate management other than having served in the past as Outside Officer, the Company concluded that he will be able to perform his duties appropriately from an independent standpoint and has elected him Outside Director (Audit & Supervisory Committee Member).

The Company has adopted the requirements for independent officers as provided by the Tokyo Stock Exchange and judges the independence of Outside Directors based on the "Independence Standards for Outside Directors" set forth by the Company. In accordance with these standards, the Company has registered the five Outside Directors (Masatoshi Suzuki, Sachiko Kasano, Yasuyoshi Ichikawa, Morimasa Ikemoto, and Noriko Yoneda) as Independent Outside Directors with the Tokyo Stock Exchange.

Reference: Independence Standards for Outside Directors

The Company considers Outside Directors or candidates for such directors to be independent if it determines that none of the following 1 to 9 apply:

However, even if a person falls under any of the following 1 to 9, he or she may be appointed as Independent Outside Director of the Company if the Company believes that he or she has sufficient independence, provided that the reasons for such independence are publicly disclosed.

1. A person whose major client or supplier is Socionext Group Companies (Note 1) (Note 2) or a business executive person thereof (Note 3)

2. Major client of (Note 4) or major lender (Note 5) to Socionext Group Companies or a business executive person thereof
3. An outside expert who receives a substantial amount of compensation from Socionext Group Companies in addition to officer's compensation (Note 6), or a person who belongs to the organization if the outside expert is an organization such as a corporation
4. A member or employee of the accounting auditor of the Company
5. A person who receives a large donation from Socionext Group Companies (Note 7), or a person who belongs to the organization if the recipient of such a donation is an organization such as a corporation
6. A business executive person of a corporation or other organization that accepts directors or other officers from Socionext Group Companies
7. A person who has fallen under any of the above items 1 through 6 in the past three years
8. A major shareholder of the Company (Note 8) or a business executive person thereof
9. A close relative of one of the following (Note 9):
   (1) Persons listed above 1 through 8
   (2) A business executive person of Socionext Group Companies
   (3) A business executive person who has been an executive person of Socionext Group Companies in the past three years

Note 1: Socionext Group Companies means Socionext Inc. and its subsidiaries.
Note 2: A person whose major client or supplier is Socionext Group Companies means a party whose sales to Socionext Group Companies account for 2% or more of its annual consolidated total sales in the most recent fiscal year.
Note 3: A business executive person is defined in Article 2, Paragraph 3, Item 6 of the Regulations for Enforcement of the Companies Act.
Note 4: Major client or supplier for Socionext Group Companies means a party to which 2% or more of Socionext Group Companies annual consolidated total sales in the most recent fiscal year are recorded.
Note 5: A major lender is a major lender stated in the Company's most recent Business Report.
Note 6: A substantial amount of compensation means that an individual is paid at least 10 million yen per year in the most recent business year of Socionext Group Companies, and an organization such as a corporation is paid at least 2% of the total annual consolidated sales in the most recent business year of the organization.
Note 7: A large donation means a donation of at least 10 million yen per year in the most recent fiscal year of Socionext Group Companies.
Note 8: A major shareholder is a person who holds 10% or more of the voting rights.
Note 9: A close relative is a spouse, a relative within the second degree of kinship or a relative living together.

3) Mutual cooperation between the supervision or auditing by Outside Directors who are not Audit & Supervisory Committees Members or Outside Directors (Audit & Supervisory Committee Members) and internal audits, and between audits by the Audit & Supervisory Committee Members and accounting audits, alongside relationships with the internal control divisions

Outside Directors receive reports on the status of accounting audits, updates on internal audits, and internal controls by attending Board of Directors meetings. Additionally, they foster mutual cooperation with the Audit & Supervisory Committee Members through regular exchange of opinions.

Outside Directors (Audit & Supervisory Committee Members) attend meetings of the Board of Directors, and receive reports from the full-time Audit & Supervisory Committee Member regarding the details of important meetings, the overview of important documents examined, and the status of internal controls, among others, during monthly Audit & Supervisory Committee meetings. This process is in line with the audit policy and audit plan formulated by the Audit & Supervisory Committee, enabling Outside Directors to express their opinions as deemed appropriate while maintaining sufficient communication with the full-time Audit & Supervisory Committee Member. Moreover, the audit plan of the Internal Audit Department is approved by the CEO and the Audit & Supervisory Committee. The results of the audits conducted by the Internal Audit Department are reported to the CEO and the Audit & Supervisory Committee. The Audit & Supervisory Committee may provide instructions to the Internal Audit Department as deemed necessary. Outside Directors (Audit & Supervisory Committee Members) exchange opinions and share information with the Internal Audit Department, the accounting auditor, the Corporate Finance Division, and other relevant internal control divisions at the Audit & Supervisory Committee to enhance the audit and supervisory functions.

(3) Audits

1) Audits by Audit & Supervisory Committee

a Organization, personnel and procedures for audits by Audit & Supervisory Committee

The Audit & Supervisory Committee consists of three Outside Directors who are Audit & Supervisory Committee Members. In addition, to support the duties of the Audit & Supervisory Committee, the Company established a dedicated Audit & Supervisory Committee Secretariat (3 persons).

Yasuyoshi Ichikawa, who serves as the Chairperson of the Audit & Supervisory Committee, is a certified public accountant with extensive experience in and deep insight into finance and accounting. Morimasa Ikemoto, the full-time Audit & Supervisory Committee Member, has served as a full-time auditor and a director who is an audit & supervisory committee member of a listed company, and has considerable knowledge of finance and accounting, internal control and auditing. Noriko Yoneda is a qualified attorney with extensive experience in and deep insight into corporate legal affairs and compliance.

b Activities of Audit & Supervisory Committee Members and Audit & Supervisory Committee

The Audit & Supervisory Committee and Audit & Supervisory Committee Members audit and supervise the execution of duties by the executive directors by attending important meetings, including meetings of the Board of Directors, investigating the status of operations and assets, and ascertaining the status of the development and operation of internal control systems, in accordance with the annual audit plan formulated by the Audit & Supervisory Committee.

The activities conducted in the fiscal year ended March 31, 2024, are as follows:

| Position | Name | Attendance |
|---|---|---|
| Outside Director (Audit & Supervisory Committee Member) | Yasuyoshi Ichikawa | 15 out of 15 (100%) |
| Outside Director (Full-time Audit & Supervisory Committee Member) | Morimasa Ikemoto | 11 out of 11 (100%) |
| Outside Director (Audit & Supervisory Committee Member) | Noriko Yoneda | 11 out of 11 (100%) |
| Outside Director (Audit & Supervisory Committee Member) | Sachiko Kasano | 4 out of 4 (100%) |
| Director (Full-time Audit & Supervisory Committee Member) | Tsuyoshi Sakuma | 4 out of 4 (100%) |

Note: Sachiko Kasano and Tsuyoshi Sakuma retired from the position of Director (Audit & Supervisory Committee Member) at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, and the status up to that time is shown.

Specifically, the Audit & Supervisory Committee grasps the progress of management and business through interviews with Directors and executive officers, making judgments on the legality and appropriateness of management execution, and so forth. All members of the Audit & Supervisory Committee attend meetings of the Board of Directors to conduct audits and supervise the status of deliberations of the Board of Directors, important decision-making processes related to management strategies and corporate governance etc., initiatives on sustainability, and more. In addition, the Audit & Supervisory Committee exchanges information and opinions with the accounting auditor to promote mutual understanding regarding the status of audit implementation through regular quarterly meetings and additional meetings as necessary. Furthermore, the Audit & Supervisory Committee reviews the election, compensation, and other matters related to Directors who are not Audit & Supervisory Committee Members to determine the opinions of the Audit & Supervisory Committee.

The full-time Audit & Supervisory Committee Member attends important meetings, such as the Management Committee, conducts interviews with Directors and executive officers of the Company, and presidents of its subsidiaries, and examines important agreements, approval documents, and other records. Subsequently, he audits the status of business execution and other relevant matters, reporting the results to the Audit & Supervisory Committee.

2) Internal audits

The Company has established the Internal Audit Department consisting of six dedicated employees directly under the purview of the CEO. In accordance with the annual audit plan approved by the CEO and the Audit & Supervisory Committee and reported to the Board of Directors, the Internal Audit Department conducts audits on divisions, including overseas Group companies, as part of the audit scope. The audit results are then reported to the CEO and the Audit & Supervisory Committee in a timely manner. The Internal Audit Department also has the function of evaluating internal control over financial reporting in accordance with the Financial Instruments and Exchange Act, and collects timely information from the internal control division and other related divisions. Internal control policies and evaluation results are shared with the accounting auditor in a timely manner to enhance cooperation.

The Company's auditing system consists of the Audit & Supervisory Committee, the Accounting Auditor, and the Internal Audit Department, which cooperate with each other in their respective auditing procedures, conduct audits by obtaining information from each internal department as appropriate, and exchange opinions on risk assessment and the effectiveness of internal controls.

3) Accounting audits

a. Name of audit firm

Ernst & Young ShinNihon LLC

b. The length of years the Accounting Auditor has served

Since the founding of the Company in the fiscal year ended March 31, 2015

c. Certified public accountant who executed the audit duties

Noriyasu Hanafuji

Shinichi Masuda

d. Composition of assistants to the audit

Four certified public accountants, five persons who have passed the Certified Public Accountant Examination and 14 other individuals assisted the duties of accounting audits for the Company.

e. Policy and reasons for selection of audit firm

The Audit & Supervisory Committee conducts procedures for the appointment, reappointment, and dismissal of the accounting auditor, and evaluates the accounting auditor's execution of duties. When appointing a new accounting auditor, the Audit & Supervisory Committee requests multiple audit firms to present a proposal regarding the overview of the audit firm, the system for conducting audits, the estimated amount of audit fees, among others, and makes a decision upon verification of the appropriateness of such account auditor's audit system, independence, expertise, and other factors. The Audit & Supervisory Committee appointed Ernst & Young ShinNihon LLC as its current accounting auditor because it determined that Ernst & Young ShinNihon LLC was the most appropriate audit firm as a result of a comprehensive comparative review of the firm's quality control, audit system, independence, and expertise required to conduct accounting audits appropriately.

Meanwhile, in the event any of the reasons stipulated in Article 340, Paragraph 1 of the Companies Act becomes applicable to the accounting auditor, the Audit & Supervisory Committee shall dismiss the accounting auditor based on the unanimous agreement of Audit & Supervisory Committee Members as necessary.

In addition, other than the above, in the event that it is deemed difficult to conduct a proper audit due to the occurrence of events that impair the qualifications and independence of the accounting auditor, the Audit & Supervisory Committee shall determine the content of proposals regarding the dismissal or non-reappointment of the accounting auditor to be submitted to the General Meeting of Shareholders.

f. Evaluation of audit firm by Audit & Supervisory Committee

Apart from assessing the expertise and independence of the accounting auditor, the Audit & Supervisory Committee evaluates the accounting auditor from the perspectives of quality control in audit operations, the quality of audit teams, communication with management and the internal audit divisions, responses to fraud risks, and other relevant elements.

4) Details of audit fees, etc.

a. Fees to Certified Public Accountants, etc. for audits

| Category | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Fees for audit attestation services (million yen) | Fees for non-audit services (million yen) | Fees for audit attestation services (million yen) | Fees for non-audit services (million yen) |
| Reporting company | 78 | 28 | 75 | 23 |
| Consolidated subsidiaries | - | - | - | - |
| Total | 78 | 28 | 75 | 23 |

The non-audit services rendered to the Company represent services related to the preparation of comfort letters for overseas offering of common stock, with consideration provided.

b. Fees to organizations within the same network (Ernst & Young) that the Certified Public Accountants, etc. for audits belong to (excluding fees specified in a. above)

| Category | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|
| | Fees for audit attestation services (million yen) | Fees for non-audit services (million yen) | Fees for audit attestation services (million yen) | Fees for non-audit services (million yen) |
| Reporting company | - | - | - | - |
| Consolidated subsidiaries | 47 | - | 51 | - |
| Total | 47 | - | 51 | - |

c. Fees for other significant audit attestation services

Not applicable.

d. Policy on determining audit fees
The Company determines fees to the accounting auditor with the consent of the Audit & Supervisory Committee after consulting with the accounting auditor on the content of audit plans in light of the effectiveness and efficiency of such plans, and examining, among other factors, the number of hours required for the accounting auditor to conduct necessary audits.

e. Reasons for the consent of the Audit & Supervisory Committee to the fee amount for the accounting auditor
In addition to obtaining necessary materials and receiving reports from Directors, relevant departments within the Company, and the accounting auditor, the Audit & Supervisory Committee reviewed the execution of the audit plan and audit procedures, and the appropriateness of the estimated fees for the period. As a result, the Audit & Supervisory Committee determined and agreed that the fees to the accounting auditor were at a reasonable level in order to maintain and improve the quality of audits.

(4) Compensation, etc. for Directors and officers

1 Compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members)

The Board of Directors formulated the policy on determining the content of compensation, etc. for individual Directors (excluding Directors who are Audit & Supervisory Committee Members) based on a resolution at its meeting held on July 27, 2022, and revised part of the resolution at its meeting held on April 12, 2024. A summary of the content is as follows.

<Changes made to the policy on determining the content of compensation, etc. for individual Directors (excluding Directors who are Audit & Supervisory Committee Members)>

With the aim of further promoting business growth and business transformation, as well as initiatives for management activities focusing on corporate values, the Company has partially revised its incentive compensation system by resolution of the Board of Directors on April 12, 2024, following deliberations by the Nomination and Compensation Committee. The revised system applies to incentive compensation based on performance for fiscal years beginning on or after April 1, 2024 (see below for details). Incentive compensation based on performance for fiscal years ended March 31, 2024, or before will be paid based on the system before the revision.

[Summary of Revision]

| Item | Before revision | After revision | Refer to |
|---|---|---|---|
| Variation range of incentive compensation (cash and stock) | The Nomination and Compensation Committee makes a comprehensive consideration of the level of achievement of evaluation indicators and makes a judgement within the range of 0–<u>150%</u> | The Nomination and Compensation Committee makes a comprehensive consideration of the level of achievement of evaluation indicators and makes a judgement within the range of 0–<u>200%</u> | <Compensation structure> 1)b |
| Structure and payment procedures of incentive compensation (cash and stock) | (New) | • If the level of achievement of evaluation indicators exceeds 150%, all or part of the incentive compensation (cash) exceeding 150% can be paid as incentive compensation (stock)<br>• When the Nomination and Compensation Committee judges the above payment to be appropriate, it submits a report to that effect, and the Board of Directors deliberates and decides based on the report | <Compensation structure> 1)b |

<Policies, etc. for decisions on the content of compensation for individual Directors (excluding Directors who are Audit & Supervisory Committee Members) (revised)>

1) Basic views

The Company’s approach to compensation, etc. for Directors is as follows:

- Highly linked to the company’s performance and highly transparent and objective
- Enhancement of corporate value and compensation should be linked in order to share a sense of interest with shareholders
- Contribute to securing and retaining a global management team that meets qualified capability requirements in realizing the corporate vision

Compensation for Executive Directors among Directors consists of a basic compensation based on the compensation standard for the position, and cash and stock incentive compensation reflecting the level of achievement of the company’s performance in each fiscal year. In stock incentive compensation, the Company grants performance-based restricted stock.

Compensation for Outside Directors among Directors is fixed basic compensation only in light of their role in supervising business execution.

If the Company appoints a non-executive Director who does not fall under any of the above categories, the compensation for such non-executive Director will be considered separately based on a report by the Nomination and Compensation Committee.

| Eligible Directors | Contents | Basic compensation | Incentive compensation | |
|---|---|---|---|---|
| | | | Cash compensation | Stock-based compensation |
| Executive Directors | To achieve performance targets and increase shareholder value, basic compensation and incentive compensation (cash and stock) will be provided. | ✔ | ✔ | ✔ |
| Independent Outside Directors | To ensure independence, only basic compensation that is not linked to performance will be paid. | ✔ | - | - |

2) Compensation level

In light of the business environment surrounding the Company, we will objectively compare compensation levels with those of other companies in the same industry or other companies of the same size, based on the data from research firms, and establish appropriate levels relevant for the positions.

3) Process for determining compensation

The Company has established a voluntary Nomination and Compensation Committee to ensure the appropriateness of compensation levels and amounts and the transparency of the decision-making process. The chairman and the majority of committee members are Independent Outside Directors.

The Board of Directors consults with the Nomination and Compensation Committee on basic policies and decision procedures. The recommendations of the Nomination and Compensation Committee are deliberated by the Board of Directors, and the Board of Directors decides the basic policy and decision procedures and makes a resolution on the agenda for the General Meeting of Shareholders in the event that the upper limit of total compensation is reviewed.

The specific amount of basic compensation and incentive compensation (cash and stock) for each individual is determined within the scope of the total amount of compensation approved by the General Meeting of Shareholders based on the report made by the Nomination and Compensation Committee to the Board of Directors. It is subject to approval by the Nomination and Compensation Committee and is determined at the discretion of Representative Director and Chairman, based on a resolution of the Board of Directors.

<Compensation structure>

The compensation structure of the Company's Directors is as follows:

1) Directors in charge of business execution

| Type of compensation | | Outline | Fixed/Variable | Payment method | Percentage to total |
|---|---|---|---|---|---|
| Basic compensation | | Based on the scope of responsibility and role (position) in the Company, a fixed amount is paid as basic compensation | Fixed | Cash payment | 60% |
| Incentive compensation | Cash | Payment by cash (bonus) as performance-based compensation based on the evaluation of performance results in the target year | Variable | | 20% |
| | Stock Note: 1 | Payment by stock as performance-based compensation based on the evaluation of performance results in the target year | | Payment by stock | 20% |

Notes: 1. Stocks are distributed to Directors after the end of the relevant fiscal year by providing monetary compensation claims to grant performance-based restricted stock compensation and having the Directors pay the full amount of the monetary compensation claims as property contributed in kind.

2. Percentage figures are estimates and are the percentages when 100% of the performance targets are achieved. In addition, if the achievement of the evaluation indicators exceeds 150%, as described below, the ratio of cash and stock to the total incentive compensation may differ.

a Basic compensation

Basic compensation is determined, referring to the amount of past compensation, by comparing with the performance of other companies in the same industry or similar size. Basic compensation is paid as monthly compensation in a fixed amount.

b Incentive compensation (cash, stock)

(a) Structure

In the evaluation items and indicators for the performance-based portion, we consider "net sales," "operating profit," and "design win amount," which are used as numerical targets in the management plan, as quantitative items, with a weighting of approximately 25% each, and also take into account business transformation, growth strategy, ESG measures, etc. as qualitative items with a weighting of approximately 25%. In addition, we evaluate all of these items based on comprehensive judgment by the Nomination and Compensation Committee.

We selected the indicators because we believe that quantitative items are numerical targets in the Company's management plan and qualitative items are essential for the sustainable development of the Company. The results of the evaluation are reported to and deliberated by the Board of Directors.

| Items subject to evaluation | Items in evaluation | Evaluation timing | Evaluation indicator (target) | | Weighting percentage | Variation range |
|---|---|---|---|---|---|---|
| Degree of target achievement in target fiscal year | Common Items | At the end of the target fiscal year | Quantitative items | Net sales | 25% | The Nomination and Compensation Committee makes a judgment within the range of 0–200% by comprehensively considering the degree of achievement of each item. |
| | | | | Operating income (Note 3) | 25% | |
| | | | | Design win amount | 25% | |
| | Individual items | | Qualitative items | Business transformation, growth strategy, ESG measures, etc. | 25% | |
| | | | | | 100% | |

Notes:
1. We set minimum goals for each evaluation indicator (target). We also set a cap in the variation range of the evaluation for incentive compensation (cash and stock) and determine the evaluation level so that the rate of achievement and the payment amount are consistent.
2. If the achievement of the evaluation indicators exceeds 150%, the Company may provide all or part of the portion of the incentive compensation (cash) exceeding 150% as incentive compensation (stock) instead of incentive compensation (cash), based on the report of the Nomination and Compensation Committee, for the purpose of ensuring that the eligible Directors conduct business with more focus on corporate value. In this case, the sum of incentive compensation (stock) paid in proportion to the achievement of the evaluation indicators and incentive compensation (stock) paid in lieu of incentive compensation (cash) may exceed the amount equivalent to 200% of incentive compensation (stock) paid in the case of 100% achievement of the evaluation indicators.
3. We will consider adding ROE to the evaluation indicator (target) for judgement in the future.
4. Net sales, which are set as an evaluation indicator (target) for the performance-based portion, reached 221.2 billion yen for fiscal year ended March 31, 2024, as opposed to the initial financial results forecast of 200.0 billion yen. Operating income for the same period was 35.5 billion yen, compared with the initial forecast of 22.5 billion yen. The design win amount for the same period came to about 250.0 billion yen, compared with the initial plan to acquire design wins amounting to about 250.0 billion yen.

(b) Payment of incentive compensation (cash)

After the performance evaluation period ends, the Nomination and Compensation Committee makes a comprehensive judgement of the level of achievement of evaluation indicators and submits a report within the range of 0–200% to the Board of Directors. In addition, if the achievement of the evaluation indicators exceeds 150% and the Nomination and Compensation Committee judges that it is appropriate to pay all or part of the incentive compensation (cash) exceeding 150% as incentive compensation (stock) instead of incentive compensation (cash), it will report to the Board of Directors to that effect. Based on the report of the Nomination and Compensation Committee, the Board of Directors deliberates and decides the level of incentive compensation (cash) payment.

<Conceptual image of evaluation>

| Fiscal year before target fiscal year | Target fiscal year | | | | Fiscal year following target fiscal year |
|---|---|---|---|---|---|
| Fourth Quarter | First Quarter | Second Quarter | Third Quarter | Fourth Quarter | First Quarter |
| Target setting ———→ | ←——————— | Evaluation period | ———————→ | | Final evaluation and payment (June) |

(c) Payment of incentive compensation (stock)

i Outline

After the performance evaluation period ends, the Nomination and Compensation Committee makes a comprehensive judgement of the level of achievement of evaluation indicators and submits a report within the range of 0–200% to the Board of Directors. In addition, if the achievement of the evaluation indicators exceeds 150% and the Nomination and Compensation Committee judges that it is appropriate to pay all or part of the incentive compensation (cash) exceeding 150% as incentive compensation (stock) instead of incentive compensation (cash), it will report to the Board of Directors to that effect. Based on the report of the Nomination and Compensation Committee, the Board of Directors deliberates and decides the level of incentive compensation (stock) payment.

When the performance evaluation period ends and Eligible Directors meet the following requirements, the Company shall deliver performance-based restricted stock to each Eligible Director by providing monetary compensation claims to grant performance-based restricted stock to each Eligible Director and having each Eligible Director pay the full amount of such monetary compensation claims as property contributed in kind.

- During the performance evaluation period and up to and including immediately prior to the conclusion of the first ordinary general meeting of shareholders held after the end of the performance evaluation period, the Eligible Directors continued to hold the positions among positions of Socionext Personnel of the Company as predetermined by the Board of Directors of the Company.
- He or she does not fall under certain illegal acts or other reasons for non-payment as determined by the Board of Directors of the Company.

The performance-based restricted stock will be delivered by means of the issuance of new shares or the disposition of treasury stock by the Company, and the amount to be paid in per share will be determined by the Board of Directors on the basis of the closing price of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors of the Company regarding the allotment of performance-based restricted stock (if a trade is not made on the said day, the closing price on the immediately preceding trading day) to the extent that the amount is not particularly favorable to Eligible Directors who will subscribe for such common stock.

ii Transfer restriction period
Eligible Directors shall not transfer, create a security interest on or dispose otherwise of the shares of common stock of the Company allotted to them (hereafter referred to as the "Allotted Shares") under the allotment agreement (hereafter referred to as "Transfer Restrictions"). This shall apply during the period from the date of allotment of the performance-based restricted stock under the Restricted Stock Allotment Agreement to be separately concluded with the Company (hereafter referred to as the "Allotment Agreement") until the date of retirement from the positions among Socionext Personnel of the Company as predetermined by the Board of Directors of the Company (hereafter referred to as the "Transfer Restriction Period").

iii Treatment at the time of retirement
If an Eligible Director retires from one of the positions of officer or employee of the Company as predetermined by the Board of Directors of the Company, the Company will naturally acquire the Allotted Shares free of charge, unless his or her term of office expires, he or she dies, or the Board of Directors determines that there are other valid reasons for his or her retirement.

iv Lifting of Transfer Restrictions, etc.
The Company will release Transfer Restrictions on all of the Allotted Shares upon the expiration of the Transfer Restriction Period, provided that the Eligible Directors have continued to hold positions among Socionext Personnel of the Company as predetermined by the Board of Directors of the Company during the Transfer Restriction Period.

| | Year X March | Year X+1 March | Year X+2 March | Year X+3 March | Year X+4 March | Year X+5 March | Year X+6 March |
|---|---|---|---|---|---|---|---|
| Year X+1 March | Target setting → | Evaluation period ←——→ | Evaluation and grant (June, July) | ====== | Transferable after retirement ====== | ====== | ======⇒ |
| Year X+2 March | | Target setting → | Evaluation period ←——→ | Evaluation and grant (June, July) | ====== | Transferable after retirement ====== | ======⇒ |
| Year X+3 March | | | Target setting → | Evaluation period ←——→ | Evaluation and grant (June, July) | Transferable after retirement ====== | ======⇒ |

2) Outside Directors among Directors
In view of the role of supervising the execution of business, only fixed basic compensation is paid.

2 Compensation for Directors who are Audit & Supervisory Committee Members
The compensation for Directors who are Audit & Supervisory Committee Members has been determined through discussion among Directors who are Audit & Supervisory Committee Members. In view of the role of supervising the execution of business, only fixed basic compensation is paid, based on the position held by the full-time Audit & Supervisory Committee Member and part-time Members.

3 Details of the resolution of the General Meeting of Shareholders on compensation, etc.
<Directors (excluding Directors who are Audit & Supervisory Committee Members>
At the Extraordinary General Meeting of Shareholders on July 27, 2022, it was resolved by a deemed resolution that the total amount of monetary compensation for Directors (excluding Directors who are Audit & Supervisory Committee Members) should be no more than 550 million yen per year (up to 45 million yen for Outside Directors; however, this does not include the employee salaries of Directors who also serve as employees). And the specific amount of basic compensation for each individual has been decided by the Board of Directors on condition that the decision is made based on the report made by the

Nomination and Compensation Committee to the Board of Directors, and subject to approval of the Nomination and Compensation Committee, and left to the discretion of Masahiro Koezuka, Representative Director, Chairman and President. The reason for delegating this authority was that the Representative Director was judged to be suitable for evaluating the division in which each Director is in charge, taking into account the performance of the Company as a whole. The number of Directors at the time the proposal pertaining to the deemed resolution was made (excluding Directors who are Audit & Supervisory Committee Members) was nine, two of whom resigned when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022, so the number of Directors at the time when the said resolution was deemed to have been made was seven.
In addition, separately from the monetary compensation, the introduction of a performance-based restricted stock compensation plan was approved by a deemed resolution at the above-mentioned extraordinary general meeting of shareholders. Specifically, the resolution stipulates that the total amount of monetary compensation claims to be paid to eligible Directors for the grant of performance-based restricted stock compensation shall not exceed 170 million yen per year (however, this does not include the employee salaries of Directors who also serve as employees). And it states that eligible Directors shall pay all such monetary compensation claims in the form of property contributed in kind and receive the issuance or disposition of the Company's common stock, whereby the total number of the Company's common stock to be issued or disposed of shall not exceed 200,000 shares per year (however, adjustments will be made in the event of a stock split or consolidation of the Company's common stock). The number of eligible Directors at the time when the said resolution was deemed to have been made was five.

<Directors who are Audit & Supervisory Committee Members>
At the Extraordinary General Meeting of Shareholders held on July 27, 2022, it was resolved by a deemed resolution that the compensation for Directors who are Audit & Supervisory Committee Members shall be fixed basic compensation only and no more than 200 million yen per year (including no more than 80 million yen for Outside Directors), taking into account the nature of their roles and duties. The specific amount of basic compensation for each individual has been determined through discussion among Directors who are Audit & Supervisory Committee Members. The number of Directors who are Audit & Supervisory Committee Members at the time the proposal pertaining to the deemed resolution was made was four, one of whom resigned when the resolution was deemed to have been made at the Extraordinary General Meeting of Shareholders and the general shareholders' General Meeting of Class Shareholders on July 27, 2022, so the number of Directors who are Audit & Supervisory Committee Members at the time when the said resolution was deemed to have been made was three.

4 Total amount of compensation, etc. by officer category and by compensation type, and number of eligible officers

| Category | Total amount of compensation, etc. (Million yen) | Total amount of compensation, etc. by type (million yen) | | | Number of eligible officers (persons) |
|---|---|---|---|---|---|
| | | Basic compensation | Performance-based compensation | | |
| | | | Monetary compensation | Non-monetary compensation, etc. | |
| Directors (excluding Directors who are Audit & Supervisory Committee Members)<br>(of which, Outside Directors) | 365<br>(22) | 187<br>(22) | 89<br>(-) | 89<br>(-) | 9<br>(3) |
| Directors (Audit & Supervisory Committee Members)<br>(of which, Outside Directors) | 34<br>(29) | 34<br>(29) | -<br>(-) | -<br>(-) | 5<br>(4) |
| Total<br>(of which, Outside Directors) | 399<br>(51) | 221<br>(51) | 89<br>(-) | 89<br>(-) | 14<br>(7) |

Note:
1. The amounts etc. for Directors (excluding Audit & Supervisory Committee Members) include the amount of compensation, etc. for two Directors (including one Outside Director) who retired at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, while in office.
2. The amount of compensation, etc. for Directors (Audit & Supervisory Committee Members) includes the amount of compensation, etc. for one Director who retired at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, while in office.
3. With respect to Sachiko Kasano, who retired from the position of Director (Audit & Supervisory Committee Member) and assumed the position of Director (excluding Audit & Supervisory Committee Member) at the conclusion of the 9th Ordinary General Meeting of Shareholders held on June 28, 2023, the term of office as a Director (excluding Audit & Supervisory Committee Member) is stated in Director (excluding Audit & Supervisory Committee Member) and the term of office as a Director (Audit & Supervisory Committee Member) is stated in Director (Audit & Supervisory Committee Member) separately in the total amount and the number of eligible officers listed above.
4. The above total amount of non-monetary compensation, etc. is the amount recorded as expenses related to restricted stock compensation for Directors (excluding Outside Directors).

5 Total amount of compensations, etc. for officers receiving 100 million yen or more in total as compensation, etc.
This information is omitted because no one received 100 million yen or more in total as compensation, etc.

6 Significant portion of employee salaries of Directors who concurrently serve as employees
Not applicable.

(5) Shareholdings

1) Standards for and concepts of the classification of investment shares

The Company classifies investment shares into two groups: “investment shares for pure investment purposes,” held solely for the purpose of changes in the value of shares or dividends; and “investment shares for purposes other than pure investment,” held for other purposes.

2) Purpose of holding shares: “Investment shares for purposes other than pure investment”

a. Shareholding policy, method for verifying the rationale behind shareholdings, and details of verification by the Board of Directors, etc. of the appropriateness of shareholdings in individual issues

In line with its policy, the Company, in principle, does not hold “investment shares for purposes other than pure investment.”

While the Company currently has no intention of acquiring “investment shares for purposes other than pure investment,” if such acquisition becomes necessary in the future from the perspective of management strategy, etc., the acquisition will be limited to cases that contribute to the sustainable growth of the Company and the enhancement of corporate value over the medium to long term. In addition, the Board of Directors will confirm the significance of acquiring each stock in advance, and after the acquisition, the appropriateness of the holding will be confirmed and reviewed annually. The exercise of voting rights in connection with “investment shares held for purposes other than pure investment” is judged on the basis of whether it contributes to the enhancement of the corporate value of the Company.

b. Number of issues and the amount recorded in the balance sheet

| | Number of issues (Issues) | Total amount recorded in the balance sheet (Million yen) |
|---|---|---|
| Unlisted shares | 2 | 0 |
| Shares other than unlisted shares | - | - |

(Issues whose number of shares increased in the fiscal year ended March 31, 2024)

| | Number of issues (Issues) | Total amount acquired due to increase in number of shares (million yen) | Reason for increase in number of shares |
|---|---|---|---|
| Unlisted shares | - | - | - |
| Shares other than unlisted shares | - | - | - |

(Issues whose number of shares decreased in the fiscal year ended March 31, 2024)

| | Number of issues (Issues) | Total proceeds from sale due to decrease in number of shares (million yen) |
|---|---|---|
| Unlisted shares | - | - |
| Shares other than unlisted shares | - | - |

c. Information on the number of specified investment shares and deemed holdings of shares by issue, the amount recorded in the balance sheet, etc.

Not applicable.

3) Purpose of holding shares: “Investment shares for pure investment purposes”

Not applicable.

4) Investment shares reclassified from held for pure investment to held for purposes other than pure investment during the fiscal year ended March 31, 2024

Not applicable.

5) Investment shares reclassified from held for purposes other than pure investment to held for pure investment during the fiscal year ended March 31, 2024

Not applicable.

# V Financial Information

## 1. Method of Preparation of Consolidated and Non-consolidated Financial Statements

(1) The Company prepares its consolidated financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements” (Ministry of Finance Order No. 28 of 1976; hereafter referred to as the “Regulations on Consolidated Financial Statements”).

(2) The Company prepares its non-consolidated financial statements in accordance with the “Regulation on Terminology, Forms, and Preparation Methods of Financial Statements.” (Ministry of Finance Order No. 59 of 1963; hereafter the “Regulation on Financial Statements”).
In addition, as a special company submitting financial statements, the Company prepares its non-consolidated financial statements pursuant to the provisions of Article 127 of the Regulation on Financial Statements.

## 2. Audit Certification

Pursuant to the provisions set forth in Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, the Company’s consolidated financial statements in Japanese for the fiscal year (from April 1, 2023 to March 31, 2024) and non-consolidated financial statements in Japanese for the fiscal year (from April 1, 2023 to March 31, 2024) have been audited by Ernst & Young ShinNihon LLC.

## 3. Special Measures to Ensure the Appropriateness of Consolidated Financial Statements, Etc.

The Company undertakes special measures to ensure the appropriateness of consolidated financial statements, etc. Specifically, the Company has joined the Financial Accounting Standards Foundation (FASF) in order to appropriately understand the details of accounting standards and other relevant information and to ensure a framework for accurately responding to changes in the accounting standards.

## 1 Consolidated Financial Statements, Etc.

### (1) Consolidated Financial Statements

#### 1) Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash on hand and in banks | 45,136 | 69,738 |
| Accounts receivable-trade | 40,809 | 35,257 |
| Finished goods | 8,187 | 6,090 |
| Work in process | 39,528 | 19,414 |
| Accounts receivable-other | 16,209 | 2,935 |
| Others | 6,198 | 5,467 |
| Total current assets | 156,067 | 138,901 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 2,583 | 3,441 |
| Machinery and equipment, net | 8 | 6 |
| Tools, furniture and fixtures, net | 13,438 | 17,318 |
| Land | 800 | 800 |
| Construction in progress | 351 | 235 |
| Total property, plant and equipment, net | * 17,180 | * 21,800 |
| Intangible assets | | |
| Technology assets | 11,494 | 16,166 |
| Others | 1,468 | 2,298 |
| Total intangible assets | 12,962 | 18,464 |
| Investments and other assets | | |
| Investment securities | 0 | 0 |
| Deferred tax assets | 6,897 | 6,740 |
| Others | 839 | 935 |
| Total investments and other assets | 7,736 | 7,675 |
| Total non-current assets | 37,878 | 47,939 |
| Total assets | 193,945 | 186,840 |

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | 23,421 | 15,764 |
| Accounts payable-other | 24,551 | 9,334 |
| Accrued expenses | 5,755 | 8,859 |
| Income taxes payable | 6,942 | 6,817 |
| Liabilities related to chargeable subcontracting | 18,869 | 9,319 |
| Others | 2,800 | 3,001 |
| Total current liabilities | 82,338 | 53,094 |
| Long-term liabilities | | |
| Asset retirement obligations | 343 | 350 |
| Lease obligations | 1,129 | 2,042 |
| Others | 271 | 334 |
| Total long-term liabilities | 1,743 | 2,726 |
| Total liabilities | 84,081 | 55,820 |
| Net assets | | |
| Shareholders’ equity | | |
| Common stock | 30,200 | 32,656 |
| Deposits for subscriptions of shares | - | 85 |
| Capital surplus | 30,200 | 32,656 |
| Retained earnings | 48,630 | 63,604 |
| Treasury stock | - | (3) |
| Total shareholders’ equity | 109,030 | 128,998 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustments | 822 | 2,022 |
| Total accumulated other comprehensive income | 822 | 2,022 |
| Share subscription rights | 12 | - |
| Total net assets | 109,864 | 131,020 |
| Total liabilities and net assets | 193,945 | 186,840 |

Consolidated Statements of Income and Comprehensive Income

Consolidated Statements of Income

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Net sales | 192,767 | 221,246 |
| Cost of sales | 103,922 | 111,243 |
| Gross profit | 88,845 | 110,003 |
| Selling, general and administrative expenses | *1, *2 67,134 | *1, *2 74,493 |
| Operating income | 21,711 | 35,510 |
| Non-operating income | | |
| Interest income | 141 | 384 |
| Foreign exchange gain | 1,601 | 1,224 |
| Others | 24 | 67 |
| Total non-operating income | 1,766 | 1,675 |
| Non-operating expenses | | |
| Others | 37 | 63 |
| Total non-operating expenses | 37 | 63 |
| Ordinary income | 23,440 | 37,122 |
| Profit before income taxes | 23,440 | 37,122 |
| Income taxes–current | 7,382 | 10,694 |
| Income taxes–deferred | (3,705) | 294 |
| Total income taxes | 3,677 | 10,988 |
| Profit | 19,763 | 26,134 |
| Profit attributable to owners of parent | 19,763 | 26,134 |

Consolidated Statements of Comprehensive Income

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Profit | 19,763 | 26,134 |
| Other comprehensive income | | |
| Foreign currency translation adjustments | 492 | 1,200 |
| Total other comprehensive income | * 492 | * 1,200 |
| Comprehensive income | 20,255 | 27,334 |
| Total comprehensive income attributable to: | | |
| Owners of parent | 20,255 | 27,334 |

3) Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of April 1, 2022 | 30,200 | 30,200 | 28,867 | - | 89,267 |
| Changes during the year | | | | | |
| Issuance of new shares | | | | | - |
| Profit attributable to owners of parent | | | 19,763 | | 19,763 |
| Acquisition of treasury stock | | | | (0) | (0) |
| Cancellation of treasury stock | | (0) | | 0 | - |
| Transfer from retained earnings to capital surplus | | 0 | (0) | | - |
| Net changes in items other than those in shareholders' equity | | | | | - |
| Total changes during the year | - | - | 19,763 | - | 19,763 |
| Balance as of March 31, 2023 | 30,200 | 30,200 | 48,630 | - | 109,030 |

| | Accumulated other comprehensive income | | Share subscription rights | Total net assets |
|---|---|---|---|---|
| | Foreign currency translation adjustments | Total accumulated other comprehensive income | | |
| Balance as of April 1, 2022 | 330 | 330 | 12 | 89,609 |
| Changes during the year | | | | |
| Issuance of new shares | | | | - |
| Profit attributable to owners of parent | | | | 19,763 |
| Acquisition of treasury stock | | | | (0) |
| Cancellation of treasury stock | | | | - |
| Transfer from retained earnings to capital surplus | | | | - |
| Net changes in items other than those in shareholders' equity | 492 | 492 | | 492 |
| Total changes during the year | 492 | 492 | - | 20,255 |
| Balance as of March 31, 2023 | 822 | 822 | 12 | 109,864 |

For the fiscal year ended March 31, 2024

(Millions of yen)

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | Common stock | Deposits for subscriptions of shares | Capital surplus | Retained earnings | Treasury stock | Total shareholders' equity |
| Balance as of April 1, 2023 | 30,200 | - | 30,200 | 48,630 | - | 109,030 |
| Changes during the year | | | | | | |
| Issuance of new shares | 2,456 | 85 | 2,456 | | | 4,997 |
| Dividends of surplus | | | | (11,160) | | (11,160) |
| Profit attributable to owners of parent | | | | 26,134 | | 26,134 |
| Acquisition of treasury stock | | | | | (3) | (3) |
| Net changes in items other than those in shareholders' equity | | | | | | - |
| Total changes during the year | 2,456 | 85 | 2,456 | 14,974 | (3) | 19,968 |
| Balance as of March 31, 2024 | 32,656 | 85 | 32,656 | 63,604 | (3) | 128,998 |

| | Accumulated other comprehensive income | | Share subscription rights | Total net assets |
|---|---|---|---|---|
| | Foreign currency translation adjustments | Total accumulated other comprehensive income | | |
| Balance as of April 1, 2023 | 822 | 822 | 12 | 109,864 |
| Changes during the year | | | | |
| Issuance of new shares | | | | 4,997 |
| Dividends of surplus | | | | (11,160) |
| Profit attributable to owners of parent | | | | 26,134 |
| Acquisition of treasury stock | | | | (3) |
| Net changes in items other than those in shareholders' equity | 1,200 | 1,200 | (12) | 1,188 |
| Total changes during the year | 1,200 | 1,200 | (12) | 21,156 |
| Balance as of March 31, 2024 | 2,022 | 2,022 | - | 131,020 |

4) Consolidated Statements of Cash Flows

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 23,440 | 37,122 |
| Depreciation and amortization | 12,075 | 13,396 |
| Interest and dividend income | (141) | (384) |
| Loss on retirement of non-current assets | 2,172 | 1,383 |
| Loss (gain) on sale of non-current assets | (29) | - |
| Decrease (increase) in accounts receivable | (15,162) | 8,379 |
| Decrease (increase) in inventories | (31,301) | 22,212 |
| Increase (decrease) in accounts payable | 5,880 | (10,535) |
| Decrease (increase) in other assets | (19,309) | 13,999 |
| Increase (decrease) in other liabilities | 43,077 | (22,223) |
| Others | 527 | (112) |
| Subtotal | 21,229 | 63,237 |
| Interest and dividends received | 141 | 384 |
| Income taxes paid | (3,351) | (10,739) |
| Net cash provided by operating activities | 18,019 | 52,882 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (12,629) | (11,879) |
| Purchases of intangible assets | (7,144) | (11,187) |
| Proceeds from sales of non-current assets | 29 | - |
| Others | 19 | (89) |
| Net cash used in investing activities | (19,725) | (23,155) |
| Cash flows from financing activities | | |
| Repayments of lease obligations | (333) | (458) |
| Proceeds from exercise of stock options | - | 4,766 |
| Proceeds from deposits for subscriptions of shares | - | 85 |
| Proceeds from exercise of share award rights | - | 146 |
| Purchase of treasury stock | - | (3) |
| Dividends paid | - | (11,160) |
| Net cash used in financing activities | (333) | (6,624) |
| Effect of exchange rate changes on cash and cash equivalents | 904 | 1,499 |
| Net increase (decrease) in cash and cash equivalents | (1,135) | 24,602 |
| Cash and cash equivalents at the beginning of the fiscal year | 46,271 | 45,136 |
| Cash and cash equivalents at the end of the fiscal year | * 45,136 | * 69,738 |

Notes to Consolidated Financial Statements

Significant matters that form the basis for preparation of consolidated financial statements

1. Scope of consolidation

(1) There are six consolidated subsidiaries.

Names of consolidated subsidiaries

Socionext America Inc.
Socionext Europe GmbH
Socionext Technology Pacific Asia Ltd.
Socionext Technology (Shanghai) Co., Ltd.
Socionext Taiwan Inc.
Socionext Korea Ltd.

(2) There are no unconsolidated subsidiaries.

2. Application of equity method

There is one affiliate accounted for by the equity method.

Name of the affiliate

Trinity Semiconductor Research LLC

3. Fiscal years and other matters of consolidated subsidiaries

Among the consolidated subsidiaries, Socionext Technology (Shanghai) Co., Ltd., whose account closing date is December 31, has been consolidated using the financial statements provisionally closed as of the closing date of the consolidated financial statements.

4. Accounting policies

(1) Basis and method for valuation of assets

1) Securities

Available-for-sale securities:

Other than equity securities with no market prices

Stated at market value (net unrealized gain or loss are reported as a separate component of net assets and the cost of securities sold being calculated on the moving-average method).

Equity securities etc. with no market prices

Stated at cost based on the moving-average method.

2) Derivatives

Stated at fair value based on the market value method.

3) Inventories

Inventories held for ordinary sales are stated at cost based on the weighted-average method (balance sheet amounts are written down based on the decreased profitability).

(2) Method of depreciation and amortization for non-current assets

1) Property, plant and equipment (excluding leased assets)

Depreciation is calculated by the straight-line method.

The useful lives are expected as follows:

Buildings and structures .................................................... 2 to 20 years
Machinery and equipment ................................................... 3 to 5 years
Tools, furniture and fixtures ............................................. 3 to 10 years

2) Intangible assets

Depreciation is calculated by the straight-line method.

Among all, technology assets and internal-use software are amortized using the straight-line method over the internally expected useful lives (up to five years).

3) Leased assets

Leased assets under finance leases that do not transfer ownership of the leased assets are calculated using the straight-line method with the lease period as the useful life and no residual value.

(3) Basis of recording revenues and expenses

With respect to the sale of semiconductor products, the Company recognizes the revenue at the time of delivery of the product (or at the time of deemed arrival of the product if the lead time of transportation can be measured) because the Company judges that the Company's performance obligation is fulfilled when the customer gains control over the product at the time of delivery of the product.

(4) Scope of cash and cash equivalents in consolidated statements of cash flows

Cash and cash equivalents in the consolidated statements of cash flows consist of deposits that can be withdrawn at any time and short-term investments with a maturity of three months or less from the date of acquisition, which are readily convertible into cash and exposed to only an insignificant risk of fluctuation in value.

Significant accounting estimates

- Recoverability of deferred tax assets

(1) Amount recorded in the consolidated financial statements for the fiscal year under review

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | 6,897 | 6,740 |

(2) Information on the content of significant accounting estimates for identified items

Deferred tax assets are recognized only for tax credits and deductible temporary differences that are more likely to be applicable to future taxable income. The timing and amount of taxable income may be affected by future changes in uncertain economic conditions, and if the timing and amount of taxable income differ from the estimates, it may have a material impact on the amount recognized in the consolidated financial statements for the following fiscal year and thereafter.

Consolidated balance sheets

* Accumulated depreciation of property, plant and equipment is as follows:

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Buildings and structures | 2,577 million yen | 2,910 million yen |
| Machinery and equipment | 99 million yen | 102 million yen |
| Tools, furniture and fixtures | 27,707 million yen | 33,879 million yen |
| Total | 30,383 million yen | 36,891 million yen |

Consolidated statements of income

*1 Major items of selling, general and administrative expenses and their amounts are as follows:

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Research and development expenses | 49,324 million yen | 53,279 million yen |
| Salaries and allowances | 9,584 million yen | 10,394 million yen |
| Retirement benefit expenses | 315 million yen | 350 million yen |

*2 Total amounts of research and development expenses included in general administrative expenses are as follows:

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Research and development expenses | 49,324 million yen | 53,279 million yen |

Consolidated statements of comprehensive income

* Reclassification adjustments and tax effects associated with other comprehensive income

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Foreign currency translation adjustments | | |
| Gain arising during the period | 492 | 1,200 |
| Total other comprehensive income | 492 | 1,200 |

Consolidated statements of changes in net assets

For the fiscal year ended March 31, 2023

1. Type and total number of issued shares and treasury stock

| Type of shares | At beginning of period | Increase | Decrease | At end of period |
|---|---|---|---|---|
| Issued shares | | | | |
| Common stock (shares) | 60,000,000 | 18,666,666 | 45,000,000 | 33,666,666 |
| Type A shares (shares) | 40,000,000 | - | 40,000,000 | - |
| Type B shares (shares) | 20,800,000 | - | 20,800,000 | - |
| Total (shares) | 120,800,000 | 18,666,666 | 105,800,000 | 33,666,666 |
| Treasury stock | | | | |
| Type A shares (shares) | - | 10,000,000 | 10,000,000 | - |
| Type B shares (shares) | - | 5,200,000 | 5,200,000 | - |
| Total (shares) | - | 15,200,000 | 15,200,000 | - |

Note: The Company conducted a 4-for-1 share consolidation of its common stock, Type A shares and Type B shares each on September 5, 2022. In addition, due to exercise of put options by its shareholders, the Company acquired all the Type A shares and Type B shares as treasury stock on September 6, 2022, and delivered as consideration 1.3466666 shares of common stock for Type A shares per share and 1 share of common stock for Type B shares per share. The Company cancelled all the Type A shares and Type B shares.

2. Share subscription rights

| Company name | Details | Type of shares to be issued | Number of shares to be issued (shares) | | | | Balance at end of period (Million yen) |
|---|---|---|---|---|---|---|---|
| | | | At beginning of period | Increase | Decrease | At end of period | |
| Reporting company | 2018 Share Subscription Rights as Stock Options | - | - | - | - | - | 12 |

3. Dividends

- Dividends whose record date is in the fiscal year under review, but which come into effect in the following fiscal year

| Resolution | Type of shares | Total amount of dividends (million yen) | Source of dividends | Amount of dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| May 19, 2023 Board of Directors | Common stock | 7,070 | Retained earnings | 210 | March 31, 2023 | June 7, 2023 |

For the fiscal year ended March 31, 2024

1. Type and total number of issued shares and treasury stock

| Type of shares | At beginning of period | Increase | Decrease | At end of period |
|---|---|---|---|---|
| Issued shares | | | | |
| Common stock (shares) | 33,666,666 | 145,020,739 | - | 178,687,405 |
| Total (shares) | 33,666,666 | 145,020,739 | - | 178,687,405 |
| Treasury stock | | | | |
| Common stock (shares) | - | 788 | - | 788 |
| Total (shares) | - | 788 | - | 788 |

Note: The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. Common stock increased due to the increase in the total number of shares issued as a result of the stock split and the exercise of stock options. Treasury stock increased due to exercise of appraisal rights for shares less than one unit.

2. Share subscription rights

| Company name | Details | Type of shares to be issued | Number of shares to be issued (shares) | | | | Balance at end of period (Million yen) |
|---|---|---|---|---|---|---|---|
| | | | At beginning of period | Increase | Decrease | At end of period | |
| Reporting company | 2018 Share Subscription Rights as Stock Options | - | 12 | - | 12 | - | - |

3. Dividends

(1) Dividends paid

| Resolution | Type of shares | Total amount of dividends (Million yen) | Amount of dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|
| May 19, 2023 Board of Directors | Common stock | 7,070 | 210 | March 31, 2023 | June 7, 2023 |
| October 31, 2023 Board of Directors | Common stock | 4,090 | 115 | September 30, 2023 | November 28, 2023 |

Note: The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. The amount of dividend per share is the amount before the stock split.

(2) Dividends whose record date is in the fiscal year under review, but whose effective date will be in the following fiscal year

| Resolution | Type of shares | Total amount of dividends (Million yen) | Source of dividends | Amount of dividend per share (yen) | Record date | Effective date |
|---|---|---|---|---|---|---|
| May 17, 2024 Board of Directors | Common stock | 4,467 | Retained earnings | 25 | March 31, 2024 | June 5, 2024 |

Consolidated statements of cash flows

*The reconciliation of the ending balances of cash and cash equivalents with account balances on the consolidated balance sheets is as follows:

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Cash on hand and in banks | 45,136 million yen | 69,738 million yen |
| Time deposits with maturities over three months | – million yen | – million yen |
| Cash and cash equivalents | 45,136 million yen | 69,738 million yen |

Financial Instruments

1. Status of financial instruments

(1) Policy for financial instruments

The Group invests in financial assets with a higher degree of safety after securing the liquidity necessary for its business activities. Our policy is to use derivatives to hedge the risk of foreign exchange fluctuations in trade receivables and payables and not to engage in speculative transactions.

(2) Details of financial instruments and related risks

Accounts receivable-trade are exposed to customer credit risk. In addition, some foreign currency-denominated trade receivables are exposed to foreign exchange risk, but except for those not exceeding the balance of the same foreign currency-denominated accounts payable-trade, we hedge them using forward foreign exchange contracts.

Accounts payable-trade are mostly due within two months. Certain foreign currency-denominated balances are exposed to foreign exchange risk, but are continuously within the balance of the same foreign currency-denominated accounts receivable-trade.

(3) Risk management system relating to financial instruments

1) Management of credit risk (default risk of customers, etc.)

In accordance with the receivables management rules, the Company regularly monitors the business conditions of its business partners and manages the due dates and balances of each partner in order to identify concerns for collection at an early stage and mitigate risks.

2) Management of market risks (fluctuation risks in foreign exchange rates, interest rates, etc.)

The Company uses forward foreign exchange contracts to hedge foreign currency-denominated trade receivables and payables against the fluctuation risks in foreign exchange that are managed by currency and by due dates.

3) Management of liquidity risk in financing activities (our payment default risk)

In the Company, a department in charge prepares and updates cash flow plans in a timely manner based on reports from each department, and manages risks by maintaining liquidity on hand.

(4) Supplementary explanation of matters relating to fair value of financial instruments

As fair value measurement of financial instruments incorporates variable factors, adopting different assumptions could result in different values.

2. Fair value of financial instruments

"Cash on hand and in banks" is omitted because it is cash, and the market values of "Deposits," "Accounts receivable-trade," "Accounts receivable-other," "Accounts payable-trade," "Accounts payable-other," and "Accrued expenses" are omitted too, as they approximate their book values, being settled in a short period of time.

3. Items related to breakdown by level of market value of financial instruments

(1) Financial instruments that are reported at market value on the consolidated balance sheet

Not applicable.

(2) Financial instruments that are not reported at market value on the consolidated balance sheet

Descriptions are omitted due to lack of significance.

Retirement benefits

1. Overview of retirement benefit plans adopted

The Company and its consolidated subsidiaries have a prepaid retirement benefit plan and a defined contribution pension plan.

2. Defined benefit cost

The amounts of required contributions to the defined contribution plan of the Company and its consolidated subsidiaries for the 2023 and 2024 fiscal years ended March 31 were 1,345 million yen and 1,437 million yen, respectively.

Stock Options, etc.

1. Amount recorded as expenses for stock options and line item

Not applicable.

2. Details and number of stock options, and changes therein

(1) Details of stock options

| | First issue of share subscription rights | Second issue of share subscription rights | Third issue of share subscription rights | Fourth issue of share subscription rights |
|---|---|---|---|---|
| Category and number of grantees | 6 Directors of the Company (excluding Outside Directors)<br>593 employees of the Company | 1 Director of the Company (excluding Outside Directors)<br>29 employees of the Company | 28 employees of the Company | 1 Director of the Company (excluding Outside Directors)<br>2,255 employees of the Company |
| Number of stock options by share type (Note 1) | 5,320,800 shares of common stock | 196,200 shares of common stock | 252,000 shares of common stock | 6,293,300 shares of common stock |
| Grant date | May 7, 2015 | August 1, 2016 | September 1, 2017 | September 1, 2018 |
| Vesting conditions | As stated in "(2) Share subscription rights, etc." in "1. Company's Shares, Etc." in "IV Information on Reporting Company." | Same as on the left | Same as on the left | Same as on the left |
| Requisite service period | There is no provision for the service period. | Same as on the left | Same as on the left | Same as on the left |
| Exercise period | From April 23, 2017, to April 22, 2025 | From July 21, 2018, to July 20, 2026 | From July 25, 2019, to July 24, 2027 | From July 26, 2020, to July 25, 2028 |

| | Fifth issue of share subscription rights | Sixth issue of share subscription rights | Seventh issue of share subscription rights | Eighth issue of share subscription rights |
|---|---|---|---|---|
| Category and number of grantees | 1 Special Advisor (Note 2) | 3 Directors of the Company (excluding Outside Directors)<br>125 employees of the Company | 192 employees of the Company | 6 Directors of the Company (excluding Outside Directors)<br>75 employees of the Company |
| Number of stock options by share type (Note 1) | 108,000 shares of common stock | 207,875 shares of common stock | 422,025 shares of common stock | 326,550 shares of common stock |
| Grant date | August 1, 2018 | September 1, 2019 | September 1, 2020 | March 31, 2021 |
| Vesting conditions | Share subscription rights may not be exercised until six months after the listing of the Company's Common Stock on a financial instruments exchange. | As stated in "(2) Share subscription rights, etc." in "1. Company's Shares, Etc." in "IV Information on Reporting Company." | Same as on the left | Same as on the left |
| Requisite service period | There is no provision for the service period. | Same as on the left | Same as on the left | Same as on the left |
| Exercise period | From August 1, 2018, to April 22, 2025 | From July 30, 2021, to July 29, 2029 | From July 23, 2022, to July 22, 2030 | From March 25, 2023 to March 24, 2031 |

Note: 1. The number of stock options is translated into the number of shares. In addition, the above numbers of shares reflect the adjustment after the 4-for-1 stock consolidation effective on September 5, 2022, and the stock split effective on January 1, 2024, at a ratio of 1 common stock to 5 shares.

Note: 2. The Special Advisory Agreement expired on March 31, 2022.

(2) Number of stock options and changes therein

The following describes changes in the number of stock options that existed during the fiscal year ended March 31, 2024. The number of stock options is translated into the number of shares. In addition, the above numbers of shares reflect the adjustment after the 4-for-1 stock consolidation effective on September 5, 2022, and the stock split effective on January 1, 2024, at a ratio of 1 common stock to 5 shares.

1) Number of stock options

| | First issue of share subscription rights | Second issue of share subscription rights | Third issue of share subscription rights | Fourth issue of share subscription rights |
|---|---|---|---|---|
| Before vesting (shares) | | | | |
| As of March 31, 2023 | 5,320,800 | 196,200 | 252,000 | 6,293,300 |
| Granted | - | - | - | - |
| Forfeited | - | - | - | - |
| Vested | 5,320,800 | 196,200 | 252,000 | 6,293,300 |
| Outstanding of unvested stock options | - | - | - | - |
| After vesting (shares) | | | | |
| As of March 31, 2023 | - | - | - | - |
| Vested | 5,320,800 | 196,200 | 252,000 | 6,293,300 |
| Exercised | 4,621,800 | 136,800 | 198,000 | 4,617,450 |
| Forfeited | 47,700 | - | 27,000 | 82,750 |
| Outstanding of unexercised stock options | 651,300 | 59,400 | 27,000 | 1,593,100 |

| | Fifth issue of share subscription rights | Sixth issue of share subscription rights | Seventh issue of share subscription rights | Eighth issue of share subscription rights |
|---|---|---|---|---|
| Before vesting (shares) | | | | |
| As of March 31, 2023 | 108,000 | 207,875 | 422,025 | 326,550 |
| Granted | - | - | - | - |
| Forfeited | - | - | - | - |
| Vested | 108,000 | 207,875 | 422,025 | 326,550 |
| Outstanding of unvested stock options | - | - | - | - |
| After vesting (shares) | | | | |
| As of March 31, 2023 | - | - | - | - |
| Vested | 108,000 | 207,875 | 422,025 | 326,550 |
| Exercised | 108,000 | 136,475 | 304,825 | 193,150 |
| Forfeited | - | 4,250 | 9,575 | 4,625 |
| Outstanding of unexercised stock options | - | 67,150 | 107,625 | 128,775 |

2) Unit price information

| | First issue of share subscription rights | Second issue of share subscription rights | Third issue of share subscription rights | Fourth issue of share subscription rights |
|---|---|---|---|---|
| Exercise price (yen) | 400 | 495 | 513 | 513 |
| Average stock price at exercise (yen) | 2,564 | 2,564 | 2,577 | 2,645 |
| Fair unit price at grant date (yen) | - | - | - | - |

| | Fifth issue of share subscription rights | Sixth issue of share subscription rights | Seventh issue of share subscription rights | Eighth issue of share subscription rights |
|---|---|---|---|---|
| Exercise price (yen) | 400 | 513 | 513 | 513 |
| Average stock price at exercise (yen) | 2,564 | 2,870 | 2,654 | 2,707 |
| Fair unit price at grant date (yen) | 513 | - | - | - |

Note: The above prices of shares reflect the adjustment after the 4-for-1 stock consolidation effective on September 5, 2022, and the stock split effective on January 1, 2024, at a ratio of 1 common stock to 5 shares.

3. Estimation of fair unit price of stock options

As the Company's shares were unlisted as of the grant date of the stock options, they were calculated using the method of estimating the intrinsic value per unit.

The valuation method for the Company's shares, serving as the basis for calculating the intrinsic value per unit, relies on the discounted cash flow (DCF) method and the comparable company analysis. As a result, the intrinsic value per unit reached zero, and correspondingly, the fair unit price of stock options is determined to be zero as well.

4. Estimation of the number of stock options vested

Due to the difficulty in reasonably estimating the future forfeiture of stock options, we have adopted a method that only considers the actual number of stock options forfeited.

5. Total intrinsic value calculated as of the end of the fiscal year under review and as of the exercise date of stock options during the fiscal year under review, using the intrinsic value per unit of stock options

(1) Total intrinsic value at the end of the fiscal year under review 9,893 million yen

(2) Total intrinsic value as of the exercise date of stock options during the fiscal year under review 22,170 million yen

Tax effect accounting

1. Breakdown of major factors for deferred tax assets and deferred tax liabilities

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | | |
| Bonus accruals | 1,088 million yen | 1,355 million yen |
| Accrued social insurance expenses | 170 million yen | 202 million yen |
| Loss on valuation of inventories | 3,530 million yen | 2,785 million yen |
| Loss on valuation of non-current assets | 1,141 million yen | 1,104 million yen |
| Accrued enterprise taxes | 492 million yen | 686 million yen |
| Lump-sum depreciable assets | 62 million yen | 88 million yen |
| Asset retirement obligations | 116 million yen | 169 million yen |
| Loss on valuation of investment securities | 68 million yen | 68 million yen |
| Others | 325 million yen | 397 million yen |
| Subtotal of deferred tax assets | 6,992 million yen | 6,854 million yen |
| Valuation allowance | (69) million yen | (68) million yen |
| Total deferred tax assets | 6,923 million yen | 6,786 million yen |
| Deferred tax liabilities | | |
| Asset retirement costs | (26) million yen | (46) million yen |
| Retained earnings of overseas affiliates | (144) million yen | (180) million yen |
| Total deferred tax liabilities | (170) million yen | (226) million yen |
| Deferred tax assets (liabilities), net | 6,753 million yen | 6,560 million yen |

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Normal effective statutory tax rate | 30.6% | 30.6% |
| Adjustments: | | |
| Research and experimentation tax credit | (12.6)% | (1.7)% |
| Others | (2.3)% | 0.7% |
| Actual effective tax rate after applying tax effect accounting | 15.7% | 29.6% |

Asset retirement obligations

Descriptions are omitted due to lack of significance.

Revenue Recognition

1. Detailed information of revenues from contracts with customers

   The detailed information of revenues from contracts with customers is as presented in “Related information” in “Segment information, etc.” in “Notes to Consolidated Financial statements.”

2. Information that is the basis for understanding the revenues generated by contracts with customers

   The Group is engaged in research, design and development, manufacturing, sales and service of semiconductor products, with revenues primarily from the sales of semiconductor products.

   With respect to product revenue, we recognize revenues when control of the product is transferred to the customer, that is, when the product is delivered to the customer, the legal ownership, physical possession and significant risks and economic value associated with the ownership of the product are transferred to the customer, and we gain the right to receive payment from the customer.

   With respect to NRE revenue, we recognize revenue when the products developed are delivered to the customer and the customer confirms receipt and evaluation of the deliverables, as significant risk and economic value are transferred to the customer and we gain the right to receive payment from the customer.

   Revenues from these product revenue and NRE revenue are measured at transaction prices associated with the contract with customers.

   The consideration for the transaction is received within one year after the fulfillment of the performance obligation and does not include any material financial factor.

3. Information on the relationship between fulfillment of performance obligations under contracts with customers and cash flows arising from such contracts, and the amount and timing of revenues expected to be recognized in the following fiscal year and thereafter from contracts with customers existing at the end of the fiscal year under review

(1) Balance of contract assets and contract liabilities

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Contract liabilities (beginning balance) | 295 million yen | 824 million yen |
| Contract liabilities (ending balance) | 824 | 504 |

Contract liabilities primarily relate to advances received under contracts with customers before fulfilling performance obligations. Contract liabilities are reversed as revenues are recognized. “Contract liabilities” are included in “Other” in the consolidated balance sheets.

(2) Transaction price allocated to the outstanding performance obligation

Statement of the Group’s transaction price allocated to the outstanding performance obligation is omitted due to practical expedients as there is no material contract with a duration of more than one year that is initially estimated.

Segment information, etc.

Segment information

Segment information is omitted because the Socionext Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model.

Related information

For the fiscal year ended March 31, 2023

1. Information for each product and service

(Millions of yen)

| | Total |
|---|---|
| Product revenue | 156,751 |
| NRE revenue | 34,867 |
| Others | 1,149 |
| Revenues from contracts with customers | 192,767 |
| Sales to external customers | 192,767 |

2. Information for each region

(1) Net sales

(Millions of yen)

| Japan | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| 85,507 | 30,442 | 5,526 | 71,292 | 192,767 |
| | U.S.: 30,384 | | China: 63,778 | |

Note: Revenues are classified by country or region based on the shipping address designated by customers.

(2) Property, plant and equipment

(Millions of yen)

| Japan | Taiwan | Others | Total |
|---|---|---|---|
| 8,101 | 6,565 | 2,514 | 17,180 |

Note: Revenues are classified by country or region based on the location of property, plant and equipment.

3. Information for each major customer

(Millions of yen)

| Customer name | Net sales |
|---|---|
| KAGA FEI Co., Ltd. | 57,178 |
| CRS TECHNOLOGY Co., LTD | 35,779 |

Note: Related segment is omitted because the Socionext Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model.

For the fiscal year ended March 31, 2024

1. Information for each product and service

(Millions of yen)

| | Total |
|---|---|
| Product revenue | 182,876 |
| NRE revenue | 37,609 |
| Others | 761 |
| Revenues from contracts with customers | 221,246 |
| Sales to external customers | 221,246 |

2. Information for each region

(1) Net sales

(Millions of yen)

| Japan | Americas | Europe | Asia | Total |
|---|---|---|---|---|
| 83,799 | 32,278 | 9,216 | 95,953 | 221,246 |
| | U.S.: 32,278 | | China: 87,551 | |

Note: Revenues are classified by country or region based on the shipping address designated by customers.

(2) Property, plant and equipment

(Millions of yen)

| Japan | Taiwan | Others | Total |
|---|---|---|---|
| 9,263 | 9,157 | 3,380 | 21,800 |

Note: Revenues are classified by country or region based on the location of property, plant and equipment.

3. Information for each major customer

(Millions of yen)

| Customer name | Net sales |
|---|---|
| CRS TECHNOLOGY Co., LTD | 60,171 |
| KAGA FEI Co., Ltd. | 56,408 |

Note: Related segment is omitted because the Socionext Group operates solely in the segment primarily comprising SoCs developed with the Solution SoC business model.

Information on impairment loss on non-current assets for each reportable segment

Not applicable.

Information on amortization and unamortized balance of goodwill for each reportable segment

Not applicable.

Information on gain on bargain purchase for each reportable segment

Not applicable.

Related parties

Related party transactions

Transactions between the reporting company and related parties

Officers and major shareholders (limited to individuals) of the reporting company

For the fiscal year ended March 31, 2023

Not applicable.

For the fiscal year ended March 31, 2024

| Type | Name of company or individual | Percentage of voting rights, etc. held (owned) (%) | Relationship with related party | Summary of transaction | Transaction amount (Million yen) | Item | Balance as of March 31, 2024 (Million yen) |
|---|---|---|---|---|---|---|---|
| Officer | Masahiro Koezuka | (Owned) Direct: 0.0 | Representative Director of the Company | Exercise of share subscription rights (Note 1) | 23 | - | - |
| | | | | In-kind contribution of monetary compensation claims (Note 2) | 23 | | |
| Officer | Koichi Otsuki | (Owned) Direct: 0.0 | Director of the Company | Exercise of share subscription rights (Note 1) | 22 | - | - |
| | | | | In-kind contribution of monetary compensation claims (Note 2) | 16 | | |
| Officer | Noriaki Kubo | (Owned) Direct: 0.0 | Director of the Company | Exercise of share subscription rights (Note 1) | 22 | - | - |
| | | | | In-kind contribution of monetary compensation claims (Note 2) | 16 | | |
| Officer | Yutaka Yoneyama | (Owned) Direct: 0.0 | Director of the Company | In-kind contribution of monetary compensation claims (Note 2) | 10 | - | - |
| Officer | Hisato Yoshida | (Owned) Direct: 0.0 | Director of the Company | In-kind contribution of monetary compensation claims (Note 2) | 10 | - | - |

Notes: 1. Exercising of share subscription rights, which are granted pursuant to a resolution of the Board of Directors, during the fiscal year under review is shown. The transaction amount indicates the amount paid by means of the exercising of share subscription rights during the fiscal year under review.

2. This is due to monetary compensation claims as property contributed in kind associated with the performance-based restricted stock compensation system.

Per share information

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Net assets per share | 652.59 yen | 732.76 yen |
| Basic earnings per share | 117.40 yen | 148.39 yen |
| Diluted earnings per share | 111.49 yen | 144.80 yen |

Notes: 1. The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. Net assets per share, basic earnings per share and diluted earnings per share are computed based on the assumption that the share split was conducted at the beginning of the fiscal year ended March 31, 2023.

2. As the Company was listed on the Tokyo Stock Exchange Prime Market on October 12, 2022, diluted earnings per share for the fiscal year ended March 31, 2023, is computed by deeming the average stock price during the period from the listing date to March 31, 2023, to be the average stock price during the fiscal year.

3. The bases for calculation of net assets per share:

| Item | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Total net assets (million yen) | 109,864 | 131,020 |
| Deductions from total net assets (million yen) | 12 | 85 |
| (Of which, deposits for subscriptions of shares (millions of yen)) | (-) | (85) |
| (Of which, share subscription rights (million yen)) | (12) | (-) |
| Net assets attributable to common stock at the end of the fiscal year (million yen) | 109,852 | 130,935 |
| Number of shares of common stock issued at the end of the fiscal year (shares) | 168,333,330 | 178,687,405 |
| Number of shares of common stock held as treasury stock at the end of the fiscal year (shares) | - | 788 |
| Number of shares of common stock at the end of the fiscal year used for the calculation of net assets per share (shares) | 168,333,330 | 178,686,617 |

4. The bases for calculating basic earnings per share and diluted earnings per share are as follows:

| Item | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Basic earnings per share | | |
| Profit attributable to owners of parent (million yen) | 19,763 | 26,134 |
| Profit not attributable to common shareholders (million yen) | - | - |
| Profit attributable to common shareholders of parent (million yen) | 19,763 | 26,134 |
| Average number of shares of common stock during the period (shares) | 168,333,330 | 176,119,044 |
| Diluted earnings per share | | |
| Adjustment to profit attributable to owners of parent (million yen) | - | - |
| Number of shares of common stock increased (shares) | 8,926,600 | 4,360,706 |
| Summary of potential shares not included in the calculation of diluted earnings per share due to their anti-dilutive effect | - | - |

Significant subsequent events
Not applicable.

5) Consolidated supplementary schedules

Schedule of corporate bonds
Not applicable.

Schedule of borrowings
Not applicable.

Schedule of asset retirement obligations
As the amount of asset retirement obligations at the beginning and end of the fiscal year ended March 31, 2024, are a hundredth or less of the sum of liabilities and net assets during the period, it has been omitted in accordance with the provisions of Article 92-2 of the Regulations on Consolidated Financial Statements.

(2) Other information

Quarterly information for the fiscal year ended March 31, 2024

| (Cumulative period) | First three months | First six months | First nine months | Fiscal year ended March 31, 2024 |
|---|---|---|---|---|
| Net sales (million yen) | 61,447 | 116,988 | 169,638 | 221,246 |
| Profit before income taxes (million yen) | 11,109 | 20,448 | 29,302 | 37,122 |
| Profit attributable to owners of parent (million yen) | 7,952 | 15,293 | 20,300 | 26,134 |
| Basic earnings per share (yen) | 46.48 | 87.90 | 115.76 | 148.39 |

| (Accounting period) | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Basic earnings per share (yen) | 46.48 | 41.51 | 28.12 | 32.70 |

Note: The Company implemented a stock split on January 1, 2024 at a ratio of 1 common stock to 5 shares. Basic earnings per share is computed based on the assumption that the stock split was conducted at the beginning of the fiscal year ended March 31, 2024.

## 2 Non-consolidated Financial Statements, Etc.

(1) Non-Consolidated Financial Statements

1) Non-Consolidated Balance Sheets

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash on hand and in banks | 34,554 | 54,269 |
| Accounts receivable-trade | * 42,170 | * 38,658 |
| Finished goods | 8,178 | 6,089 |
| Work in process | 39,527 | 19,413 |
| Advance payments to suppliers | 4,629 | 3,163 |
| Prepaid expenses | 1,070 | 1,843 |
| Accounts receivable-other | * 16,047 | * 3,123 |
| Others | 217 | 149 |
| Total current assets | 146,395 | 126,712 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 1,056 | 873 |
| Machinery and equipment | 0 | 0 |
| Tools, furniture and fixtures | 12,986 | 16,863 |
| Land | 800 | 800 |
| Construction in progress | 351 | 234 |
| Total property, plant and equipment, net | 15,195 | 18,771 |
| Intangible assets | | |
| Technology assets | 11,494 | 16,166 |
| Others | 1,417 | 2,250 |
| Total intangible assets | 12,912 | 18,416 |
| Investments and other assets | | |
| Investment securities | 0 | 0 |
| Shares of subsidiaries and affiliates | 2,704 | 2,704 |
| Deferred tax assets | 6,751 | 6,551 |
| Others | 704 | 804 |
| Total investments and other assets | 10,161 | 10,061 |
| Total non-current assets | 38,268 | 47,250 |
| Total assets | 184,664 | 173,962 |

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable-trade | * 24,389 | * 16,913 |
| Accounts payable-other | * 24,472 | * 9,280 |
| Accrued expenses | 4,781 | 6,066 |
| Income taxes payable | 6,784 | 6,534 |
| Liabilities related to chargeable subcontracting | 18,869 | 9,319 |
| Others | 1,714 | 2,062 |
| Total current liabilities | 81,013 | 50,177 |
| Long-term liabilities | | |
| Asset retirement obligations | 299 | 300 |
| Total long-term liabilities | 299 | 300 |
| Total liabilities | 81,313 | 50,477 |
| Net assets | | |
| Shareholders’ equity | | |
| Common stock | 30,200 | 32,656 |
| Deposits for subscriptions of shares | - | 85 |
| Capital surplus | | |
| Legal capital surplus | 30,200 | 32,656 |
| Total capital surplus | 30,200 | 32,656 |
| Retained earnings | | |
| Other retained earnings | | |
| Retained earnings brought forward | 42,939 | 58,090 |
| Total retained earnings | 42,939 | 58,090 |
| Treasury stock | - | (2) |
| Total shareholders’ equity | 103,339 | 123,485 |
| Share subscription rights | 12 | - |
| Total net assets | 103,351 | 123,485 |
| Total liabilities and net assets | 184,664 | 173,962 |

2) Non-Consolidated Statements of Income

(Millions of yen)

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Net sales | *1 191,830 | *1 220,245 |
| Cost of sales | 103,894 | 111,199 |
| Gross profit | 87,936 | 109,045 |
| Selling, general and administrative expenses | *1, *2, *3 68,949 | *1, *2, *3 75,065 |
| Operating income | 18,986 | 33,980 |
| Non-operating income | | |
| Dividend income | *1 785 | *1 1,345 |
| Foreign exchange gain | 1,611 | 1,270 |
| Others | 28 | 91 |
| Total non-operating income | 2,425 | 2,707 |
| Non-operating expenses | | |
| Others | 18 | 37 |
| Total non-operating expenses | 18 | 37 |
| Ordinary income | 21,393 | 36,649 |
| Income before income taxes | 21,393 | 36,649 |
| Income taxes–current | 7,009 | 10,138 |
| Income taxes–deferred | (3,694) | 200 |
| Total income taxes | 3,314 | 10,338 |
| Profit | 18,078 | 26,311 |

Schedule of cost of products manufactured

| | | Fiscal year ended March 31, 2023 | | Fiscal year ended March 31, 2024 | |
|---|---|---|---|---|---|
| Category | Note | Amount (million yen) | Ratio (%) | Amount (million yen) | Ratio (%) |
| I Subcontract processing expenses | | 122,409 | 94.9 | 74,290 | 91.0 |
| II Labor cost | | 1,732 | 1.3 | 1,969 | 2.4 |
| III Manufacturing overhead cost | | 4,852 | 3.8 | 5,348 | 6.6 |
| Total manufacturing costs | | 128,994 | 100.0 | 81,608 | 100.0 |
| Beginning work in progress inventory | | 14,921 | | 39,527 | |
| Total | | 143,915 | | 121,136 | |
| Ending work in process inventory | | 39,527 | | 19,413 | |
| Cost of products manufactured | | 104,388 | | 101,722 | |

Cost accounting method

The Company uses actual costing based on the continuous process costing system, utilizing predetermined costs during the period. Any variances in costs are allocated to finished goods, work in process, and cost of sales at the end of the period.

3) Non-Consolidated Statements of Changes in Net Assets
For the fiscal year ended March 31, 2023

(Millions of yen)

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | Common stock | Capital surplus | | | Retained earnings | |
| | | Legal capital surplus | Other capital surplus | Total capital surplus | Other retained earnings<br>Retained earnings brought forward | Total retained earnings |
| Balance as of April 1, 2022 | 30,200 | 30,200 | - | 30,200 | 24,860 | 24,860 |
| Changes during the year | | | | | | |
| Issuance of new shares | | | | | | |
| Profit | | | | | 18,078 | 18,078 |
| Acquisition of treasury stock | | | | | | |
| Cancellation of treasury stock | | | (0) | (0) | | |
| Transfer from retained earnings to capital surplus | | | 0 | 0 | (0) | (0) |
| Total changes during the year | - | - | - | - | 18,078 | 18,078 |
| Balance as of March 31, 2023 | 30,200 | 30,200 | - | 30,200 | 42,939 | 42,939 |

| | Shareholders' equity | | Share subscription rights | Total net assets |
|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | | |
| Balance as of April 1, 2022 | - | 85,260 | 12 | 85,272 |
| Changes during the year | | | | |
| Issuance of new shares | | - | | - |
| Profit | | 18,078 | | 18,078 |
| Acquisition of treasury stock | (0) | (0) | | (0) |
| Cancellation of treasury stock | 0 | - | | - |
| Transfer from retained earnings to capital surplus | | | | - |
| Total changes during the year | - | 18,078 | - | 18,078 |
| Balance as of March 31, 2023 | - | 103,339 | 12 | 103,351 |

For the fiscal year ended March 31, 2024

(Millions of yen)

| | Shareholders' equity | | | | | |
|---|---|---|---|---|---|---|
| | | | Capital surplus | | Retained earnings | |
| | Common stock | Deposits for subscriptions of shares | Legal capital surplus | Total capital surplus | Other retained earnings<br>Retained earnings brought forward | Total retained earnings |
| Balance as of April 1, 2023 | 30,200 | - | 30,200 | 30,200 | 42,939 | 42,939 |
| Changes during the year | | | | | | |
| Issuance of new shares | 2,456 | 85 | 2,456 | 2,456 | | - |
| Dividends of surplus | | | | | (11,160) | (11,160) |
| Profit | | | | | 26,311 | 26,311 |
| Acquisition of treasury stock | | | | | | |
| Net changes in items other than those in shareholders' equity | | | | | | |
| Total changes during the year | 2,456 | 85 | 2,456 | 2,456 | 15,151 | 15,151 |
| Balance as of March 31, 2024 | 32,656 | 85 | 32,656 | 32,656 | 58,090 | 58,090 |

| | Shareholders' equity | | Share subscription rights | Total net assets |
|---|---|---|---|---|
| | Treasury stock | Total shareholders' equity | | |
| Balance as of April 1, 2023 | - | 103,339 | 12 | 103,351 |
| Changes during the year | | | | |
| Issuance of new shares | | 4,997 | | 4,997 |
| Dividends of surplus | | (11,160) | | (11,160) |
| Profit | | 26,311 | | 26,311 |
| Acquisition of treasury stock | (2) | (2) | | (2) |
| Net changes in items other than those in shareholders' equity | | | (12) | (12) |
| Total changes during the year | (2) | 20,146 | (12) | 20,134 |
| Balance as of March 31, 2024 | (2) | 123,485 | - | 123,485 |

## Notes to Non-Consolidated Financial Statements

### Significant accounting policies

1. Basis and method for valuation of securities

   (1) Shares of subsidiaries and affiliates

   Cost method using the moving average method

   (2) Available-for-sale securities

   Other than equity securities with no market prices

   Stated at market value (net unrealized gain or loss are reported as a separate component of net assets and the cost of securities sold being calculated on the moving-average method).

   Equity securities etc. with no market prices

   Stated at cost based on the moving-average method.

2. Derivatives

   Stated at fair value based on the market value method.

3. Inventories

   Inventories held for ordinary sales are stated at cost based on the weighted-average method (balance sheet amounts are written down based on the decreased profitability).

4. Methods of depreciation and amortization for non-current assets

   (1) Property, plant and equipment (excluding leased assets)

   Depreciation is calculated by the straight-line method.

   The useful lives are expected as follows:

   - Buildings and structures............................................. 3 to 20 years
   - Machinery and equipment............................................ 3 to 5 years
   - Tools, furniture and fixtures....................................... 3 to 10 years

   (2) Intangible assets

   Depreciation is calculated by the straight-line method.

   Among all, technology assets and internal-use software are amortized using the straight-line method over the internally expected useful lives (up to five years).

   (3) Leased assets

   Leased assets under finance leases that do not transfer ownership of the leased assets are calculated using the straight-line method with the lease period as the useful life and no residual value.

5. Basis of recording revenues and expenses

   With respect to the sale of semiconductor products, the Company recognizes the revenue at the time of delivery of the product (or at the time of deemed arrival of the product if the lead time of transportation can be measured) because the Company judges that the Company's performance obligation is fulfilled when the customer gains control over the product at the time of delivery of the product.

### Significant accounting estimates

- Recoverability of deferred tax assets

  (1) Amount recorded in the non-consolidated financial statements for the fiscal year under review

(Millions of yen)

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | 6,751 | 6,551 |

  (2) Information on the content of significant accounting estimates for identified items

  The content is identical to that described in "(2) Information on the content of significant accounting estimates for identified items" in "Notes to Consolidated Financial Statements, Significant accounting estimates."

Non-consolidated balance sheets

* Monetary receivables from and monetary payables to the affiliates

Items included in each line other than those presented separately are as follows:

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Short-term monetary receivables | 24,179 million yen | 22,995 million yen |
| Short-term monetary payables | 1,060 million yen | 1,184 million yen |

Non-consolidated statements of income

*1 Transactions with the affiliates

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Operating transactions | | |
| Net sales | 103,250 million yen | 131,314 million yen |
| Purchases | 12,810 million yen | 14,666 million yen |
| Non-operating transactions | | |
| Dividend income | 785 million yen | 1,345 million yen |
| Asset purchased | – million yen | 16 million yen |

*2 Major items, amounts and approximate composition of selling, general and administrative expenses

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Research and development expenses | 50,679 million yen | 54,904 million yen |
| Salaries and allowances | 5,143 million yen | 5,312 million yen |
| Retirement benefit expenses | 227 million yen | 229 million yen |
| Approximate composition: | | |
| Selling expenses | 16% | 16% |
| General and administrative expenses | 84% | 84% |

*3 Total amounts of research and development expenses included in general administrative expenses are as follows:

| | Fiscal year ended March 31, 2023 | Fiscal year ended March 31, 2024 |
|---|---|---|
| Research and development expenses | 50,679 million yen | 54,904 million yen |

Securities

Previous fiscal year (as of March 31, 2023)

As market prices are unavailable for the shares of subsidiaries and affiliates (with the book value of shares of subsidiaries recorded at 2,669 million yen on the non-consolidated balance sheet and that of affiliates at 35 million yen), their fair values are not presented.

Current fiscal year (as of March 31, 2024)

As market prices are unavailable for the shares of subsidiaries and affiliates (with the book value of shares of subsidiaries recorded at 2,669 million yen on the non-consolidated balance sheet and that of affiliates at 35 million yen), their fair values are not presented.

Tax effect accounting

1. Breakdown of major factors for deferred tax assets and deferred tax liabilities

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Deferred tax assets | | |
| Bonus accruals | 1,088 million yen | 1,355 million yen |
| Accrued social insurance expenses | 170 million yen | 202 million yen |
| Loss on valuation of inventories | 3,530 million yen | 2,785 million yen |
| Loss on valuation of non-current assets | 1,141 million yen | 1,104 million yen |
| Accrued enterprise taxes | 492 million yen | 686 million yen |
| Lump-sum depreciable assets | 62 million yen | 88 million yen |
| Asset retirement obligations | 116 million yen | 169 million yen |
| Loss on valuation of investment securities | 68 million yen | 68 million yen |
| Others | 178 million yen | 204 million yen |
| Subtotal of deferred tax assets | 6,845 million yen | 6,666 million yen |
| Valuation allowance | (68) million yen | (68) million yen |
| Total deferred tax assets | 6,777 million yen | 6,597 million yen |
| Deferred tax liabilities | | |
| Asset retirement obligations | (26) million yen | (46) million yen |
| Total deferred tax liabilities | (26) million yen | (46) million yen |
| Deferred tax assets, net | 6,751 million yen | 6,551 million yen |

2. Reconciliation between the normal effective statutory tax rate and the actual effective tax rate after applying tax effect accounting

| | As of March 31, 2023 | As of March 31, 2024 |
|---|---|---|
| Normal effective statutory tax rate | 30.6% | 30.6% |
| Adjustments: | | |
| Items not deductible for tax purposes, such as dividend income | (1.1)% | (1.1)% |
| Research and experimentation tax credit | (13.8)% | (1.8)% |
| Others | (0.2)% | 0.5% |
| Actual effective tax rate after applying tax effect accounting | 15.5% | 28.2% |

Revenue Recognition

Information that is the basis for understanding the revenues generated by contracts with customers is omitted as the same details are presented in “Revenue recognition” in “Notes to Non-Consolidated Financial Statements.”

Significant subsequent events

Not applicable.

4) Non-consolidated supplementary schedule

Schedule of securities

As the amount of securities is a hundredth or less of the total amount of assets, it has been omitted in accordance with the provisions of Article 124 of the Regulations on Financial Statements.

Schedule of property, plant and equipment, etc.

| Category | Asset type | Balance as of April 1, 2023 (Million yen) | Increase during the period (Million yen) | Decrease during the period (Million yen) | Depreciation and amortization for the period (Million yen) | Balance as of March 31, 2024 (Million yen) | Accumulated depreciation (Million yen) |
|---|---|---|---|---|---|---|---|
| Property, plant and equipment | Buildings and structures | 1,056 | 183 | 9 | 356 | 873 | 1,842 |
| | Machinery and equipment | 0 | - | 0 | - | 0 | 68 |
| | Tools, furniture and fixtures | 12,986 | 12,042 | 781 | 7,384 | 16,863 | 32,090 |
| | Land | 800 | - | - | - | 800 | - |
| | Construction in progress | 351 | 12,109 | 12,225 | - | 234 | - |
| | Total property, plant and equipment | 15,195 | 24,334 | 13,017 | 7,740 | 18,771 | 34,001 |
| Total intangible assets | | 12,912 | 11,156 | 588 | 5,063 | 18,416 | - |

Note: 1 Major components of the increase during the period are as follows:

| | | |
|---|---|---|
| Tools, furniture and fixtures | Tools | 9,137 million yen |
| Tools, furniture and fixtures | Measurement equipment | 2,085 million yen |
| Tools, furniture and fixtures | Fixtures | 819 million yen |
| Construction in progress | Tools | 9,114 million yen |
| Construction in progress | Measurement equipment | 1,937 million yen |
| Construction in progress | Fixtures | 868 million yen |
| Intangible assets | IP and others | 10,472 million yen |
| Intangible assets | Software for internal use and others | 684 million yen |

Note: 2 Major components of the decrease during the period are as follows:

| | | |
|---|---|---|
| Tools, furniture and fixtures | Tools | 776 million yen |
| Tools, furniture and fixtures | Fixtures | 4 million yen |
| Construction in progress | Tools | 9,124 million yen |
| Construction in progress | Measurement equipment | 2,099 million yen |
| Construction in progress | Fixtures | 819 million yen |
| Intangible assets | IP and others | 588 million yen |

Schedule of provisions

Not applicable.

(2) Components of Major Assets and Liabilities

The information is omitted as the Group has prepared the consolidated financial statements.

(3) Other Information

Not applicable.

## VI Outline of Share-related Administration of Reporting Company

| | |
|---|---|
| Fiscal year | From April 1 to March 31 of each year |
| Ordinary General Meeting of Shareholders | Within three months after the end of each fiscal year |
| Record date | March 31 of each year |
| Record date of dividends of surplus | September 30 of each year<br>March 31 of each year |
| Number of shares constituting one unit | 100 |
| Purchase of shares less than one unit | |
| Handling office | Stock Transfer Agency Business Planning Dept.,<br>Sumitomo Mitsui Trust Bank, Limited<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo |
| Shareholder Register Administrator | Sumitomo Mitsui Trust Bank, Limited<br>1-4-1 Marunouchi, Chiyoda-ku, Tokyo |
| Forwarding office | - |
| Purchasing fee | Separately specified amount equivalent to the brokerage fee for trading shares |
| Method of publishing public notices | The Company uses the method of electronic publication for public notices. However, if electronic publication is not possible due to accidents or other unavoidable reasons, a notification will be published in *The Nikkei* (*Nihon Keizai Shimbun*).<br>The URL of the website containing publications is as follows (available only in Japanese):<br>https://www.socionext.com/jp/denshikoukoku/ |
| Special benefits for shareholders | - |

Note: Pursuant to the provisions of the Company’s articles of incorporation, a shareholder of the Company may not exercise any rights, other than those listed below, with respect to shares of less than one unit held by such shareholder:

(1) Rights listed in each item of Article 189, Paragraph 2 of the Companies Act;
(2) Right to make a request pursuant to the provisions of Article 166, Paragraph 1 of the Companies Act; and
(3) Right to receive an allotment of shares for subscription and an allocation of share subscription rights in proportion to the number of shares held by the shareholder.

# VII Reference Information on Reporting Company

## 1 Information on Parent Company, Etc. of Reporting Company

The Company does not have a parent company as prescribed in Article 24-7, Paragraph 1 of the Financial Instruments and Exchange Act.

## 2 Other Reference Information

The Company has filed the following documents between the beginning of the fiscal year ended March 31, 2024, and the filing date of this Annual Securities Report:

(1) Annual Securities Reports and Confirmation Letters

Filed for the ninth fiscal year ended March 31, 2023, with the Director-General of the Kanto Local Finance Bureau on June 29, 2023.

(2) Internal Control Report

Filed for the ninth fiscal year ended March 31, 2023, with the Director-General of the Kanto Local Finance Bureau on June 29, 2023.

(3) Quarterly Securities Reports and Confirmation Letters

Filed for the first quarter (from April 1 to June 30, 2023) of the tenth fiscal year ended March 31, 2024, with the Director-General of the Kanto Local Finance Bureau on August 10, 2023.

Filed for the second quarter (from July 1 to September 30, 2023) of the tenth fiscal year ended March 31, 2024, with the Director-General of the Kanto Local Finance Bureau on November 14, 2023.

Filed for the third quarter (from October 1 to December 31, 2023) of the tenth fiscal year ended March 31, 2024, with the Director-General of the Kanto Local Finance Bureau on February 14, 2024.

(4) Extraordinary Reports

Filed with the Director-General of the Kanto Local Finance Bureau on June 28, 2023.

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 2-2 (Issuance of Common Stock as Restricted Stock Compensation) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on June 29, 2023.

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (Results of the Exercising of Voting Rights at the General Meeting of Shareholders) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on July 5, 2023.

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 1 (Overseas Secondary Offering) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on July 13, 2023.

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 4 (Change in Major Shareholders) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on June 26, 2024.

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 2-2 (Issuance of Common Stock as Restricted Stock Compensation) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

Filed with the Director-General of the Kanto Local Finance Bureau on June 27, 2024.

This is an Extraordinary Report based on Article 19, Paragraph 2, Item 9-2 (Results of the Exercising of Voting Rights at the General Meeting of Shareholders) of the Cabinet Office Ordinance on the Disclosure of Corporate Affairs, etc.

(5) Amendment Reports for Extraordinary Report

Filed with the Director-General of the Kanto Local Finance Bureau on July 11 and July 12, 2023.

These are Amendment Reports associated with the Securities Registration Statement filed on July 5, 2023.

# Part II Information on Reporting Company's Guarantor, Etc.

Not applicable.

(For Translation Purposes Only)

# Independent Auditor’s Report and Internal Control Audit Report

June 26, 2024

The Board of Directors
Socionext Inc.

Ernst & Young ShinNihon LLC
Tokyo office

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| Designated Engagement Partner | Certified Public Accountant | Noriyasu Hanafuji |
| Designated Engagement Partner | Certified Public Accountant | Shinichi Masuda |

<Audit of Financial Statements>

Opinion

Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying consolidated financial statements, which comprise of the consolidated balance sheet, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in net assets and consolidated statements of cash flows, and the notes to significant matters that form the basis for preparation of consolidated financial statements and other notes and the consolidated supplementary schedules of Socionext Inc. (the “Company”) and its consolidated subsidiaries (the “Group”) applicable to the fiscal year from April 1, 2023 to March 31, 2024 in the “Financial Information” section in the Company’s Annual Securities Report.
In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position and results of operations of the Group applicable to the fiscal year ended March 31, 2024, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements for the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor’s opinion thereon, and we do not provide a separate opinion on these matters.

<table>
<tr><td colspan="2">Existence and Timing of NRE revenue recorded by the Company</td></tr>
<tr><td>Description of Key Audit Matters</td><td>Auditor’s Response</td></tr>
<tr><td>The Group recorded net sales of 221,246 million yen on the consolidated statement of income for the fiscal year ended March 31, 2024. As described in Note “Segment information, etc.,” in the consolidated financial statements, the key components of this amount are product revenue of 182,876 million yen and NRE revenue of 37,609 million yen.<br>Compared to product revenue which relate to mass-produced semiconductors, NRE revenue involve conducting product development as agreed upon with customers in contracts and related documents, receiving consideration for the outcomes of such product development.<br>For NRE revenue, the Group recognizes revenue once it has transferred the significant risks and rewards to customers and is thus entitled to receive payment from customers upon confirming that customers have received and evaluated the deliverables after delivering the outcomes of product development to customers.<br>In the event that anticipated development goals are not achieved, the Group would be unable to record initially expected product revenue and NRE revenue amounts and, given that the contractual amounts of NRE revenue, in particular, tend to be large on a per transaction basis, there may be a significant impact on the Group’s operating results.<br>Considering the nature of NRE revenue recorded by Socionext Inc. as well as the materiality of NRE revenue on a per transaction basis and the impact on the operating results of the Group, we have determined that the existence and timing of NRE revenue recorded by Socionext Inc. is of particular significance for the fiscal year ended March 31, 2024 and, accordingly, is a key audit matter.</td><td>We mainly performed the following audit procedures in considering the existence and timing of NRE revenue recorded by the company.<br><br>(1) Evaluation of internal controls<br>We evaluated the design and operating effectiveness of internal controls relating to the process for recording NRE revenue by focusing specifically on the following controls.<br>• Internal controls for ensuring that order processing is appropriately conducted.<br>• Internal controls for ensuring that NRE revenue are appropriately recorded based on the processing related to the delivery of outcomes of product development to customers and delivery receipts and related documents from customers.<br>• Internal controls for appropriately identifying and processing accounts receivable for which collection has been delayed.<br><br>(2) Procedures related to the existence and the timing of NRE revenue<br>In order to verify the existence and timing of NRE revenue, we performed the following procedures for quantitatively and qualitatively material transactions included in and transactions randomly sampled from NRE revenue recorded for the fiscal year ended March 31, 2024.<br>• We inspected contracts and related documents and examined whether NRE revenue agree with contractual amounts.<br>• We inspected delivery receipts and related documents and examined the consistency between the dates on which NRE revenue were recorded and the dates on which customers completed their evaluations.<br>We extracted NRE revenue recorded near year end from amongst journal entry data for the fiscal year ended March 31, 2024 and compared the amounts with the amount of NRE revenue recorded for the same period for the fiscal year ended March 31, 2023. In addition, we analyzed the change in monthly net sales comparing with the previous fiscal year.</td></tr>
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The other Information

The other information comprises the information included in the annual securities report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor’s report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group’s reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Committee for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to the going concern.
The Audit ans Supervisory Committee is responsible for overseeing the execution of duties by Directors in the design and operation of the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor's judgment.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and other matters required under audit standards.
We also provide the Audit and Supervisory Committee with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.
From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements for the current fiscal year as key audit matters. We describe these matters in our auditor's report unless law or regulation preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control>

Opinion

Pursuant to Article 193-2, Paragraph 2 of the Financial Instruments and Exchange Act, we have audited the internal control report of the Company as of March 31, 2024.

In our opinion, the internal control report referred to above, which represents that the internal control over financial reporting of the Company as of March 31, 2024, is effectively maintained, presents fairly, in all material respects, the results of the assessments of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Internal Control Audit" section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Audit and Supervisory Committee for the Internal Control Report

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

The Audit and Supervisory Committee is responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting.

There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether the internal control report is free from material misstatement based on our audit of the internal control audit and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. The procedures selected to be applied depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.
- Evaluate the overall presentations of the internal control, including the appropriateness of the scope, procedures, and results of the assessments that management presents.
- Obtain sufficient appropriate audit evidence regarding the results of the assessments of internal control over financial reporting in the internal control report. We are responsible for the direction, supervision and performance of the audit of the internal control report. We remain solely responsible for our audit opinion.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the internal control audit, the results of the internal control audit, including any significant deficiencies in internal control to be disclosed that we identify during our audit and those that were remediated, and other matters required under audit standards for internal control.

We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related measures to eliminate obstruction factors or related safeguards to reduce such factors to acceptable level.

<Fee-Related Information>

The amounts of fees paid to our firm and persons or firms belonging to the same network as our firm for audit attestation services and non-audit services for the Company and its subsidiaries are described in (3) Audits, Corporate Governance, Etc. under "Information on Reporting Company."

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Notes: 1. The presentation above is a digital version of the content stated in the original audit report, which is separately retained by the Company (the reporting company of the annual securities report).

2. The associated XBRL data are not included in the scope of the audit.

(For Translation Purposes Only)
Independent Auditor's Report

June 26, 2024

The Board of Directors
Socionext Inc.

Ernst & Young ShinNihon LLC

Tokyo office

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| Designated Engagement Partner | Certified Public Accountant Noriyasu Hanafuji |
| Designated Engagement Partner | Certified Public Accountant Shinichi Masuda |

<Audit of Financial Statements>
Opinion
Pursuant to Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act, we have audited the accompanying non-consolidated financial statements, which comprise of the non-consolidated balance sheet, the non-consolidated statements of income, non-consolidated statements of changes in net assets, and the notes to significant accounting policies and other notes and the non-consolidated supplementary schedules of Socionext Inc. (the "Company") applicable to the fiscal year from April 1, 2023 to March 31, 2024 in the "Financial Information" section in the Company's Annual Securities Report.
In our opinion, the accompanying non-consolidated financial statements present fairly, in all material respects, the financial position and result of operations of the Company applicable to the fiscal year then ended March 31, 2024, in accordance with accounting principles generally accepted in Japan.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Non-consolidated Financial Statements" section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the non-consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the non-consolidated financial statements for the current period. These matters were addressed in the context of our audit of the non-consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Existence and Timing of NRE revenue recorded by the company
This information is omitted because it is covered in the key audit matters detailed in our auditor's report on the consolidated financial statements (Existence and Timing of NRE revenue recorded by the company).

The other Information
The other information comprises the information included in the annual securities report that contains audited consolidated financial statements but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Committee is responsible for overseeing the Group's reporting process of the other information.
Our opinion on the non-consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the non-consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the non-consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.
We have nothing to report in this regard.

Responsibilities of Management and the Audit and Supervisory Committee for the Non-consolidated Financial Statements
Management is responsible for the preparation and fair presentation of the non-consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation and fair presentation of the non-consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the non-consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Audit & Supervisory Committee is responsible for overseeing the execution of duties by Directors in the design and operation of the Group's financial reporting process.

Auditor’s Responsibilities for the Audit of the Non-Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the non-consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-consolidated financial statements.
As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The selection and application of audit procedures depends on the auditor’s judgment.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the non-consolidated financial statements is not expressing an opinion on the effectiveness of the Company’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the non-consolidated financial statements, including the disclosures, and whether the non-consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.

We communicate with the Audit and Supervisory Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit and other matters required under audit standards.
We also provide the Audit and Supervisory Committee with a statement that we have complied with relevant ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related measures to eliminate obstruction factors or related safeguards to reduce such factors to acceptable level.
From the matters communicated with the Audit and Supervisory Committee, we determine those matters that were of most significance in the audit of the non-consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation preclude public disclosure about the matters or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>
Fee-related information is presented in the auditor’s report on the consolidated financial statements.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan
Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

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Notes: 1. The presentation above is a digital version of the content stated in the original audit report, which is separately retained by the Company (the reporting company of the annual securities report).
2. The associated XBRL data are not included in the scope of the audit.

## [Cover]

| | |
|---|---|
| [Document Title] | Internal Control Report |
| [Clause of Stipulation] | Article 24-4-4, Paragraph 1 of the Financial Instruments and Exchange Act |
| [Place of Filing] | Director-General, Kanto Local Finance Bureau |
| [Filing Date] | June 27, 2024 |
| [Company name] | Socionext Inc. |
| [Company Name in English] | Socionext Inc. |
| [Title and Name of Representative] | Masahiro Koezuka, Representative Director, Chairman, President and CEO |
| [Title and Name of Chief Financial Officer] | Yutaka Yoneyama, Director and Deputy President and CFO |
| [Address of Head Office] | 2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa |
| [Place for Public Inspection] | Tokyo Stock Exchange, Inc.<br>(2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo) |

## 1 Matters Related to Basic Framework of Internal Control over Financial Reporting

Masahiro Koezuka, Representative Director, Chairman, President and CEO of Socionext Inc. (the "Company"), and Yutaka Yoneyama, Director and Deputy President and CFO of the Company, are responsible for designing and operating effective internal control over financial reporting of the Socionext Group (the "Group"), and have designed and operated internal control over financial reporting in accordance with the basic framework for internal control set forth in "On the Revision of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)" published by the Business Accounting Council.

The internal control is designed to achieve its objectives to the extent reasonable through the effective function and combination of its basic elements. Therefore, there is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

## 2 Matters Related to Scope of Assessment, Basis Date, and Assessment Procedures

The Group performed the assessment of internal control over financial reporting as of the end of the fiscal year, March 31, 2024, in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

In conducting this assessment, we evaluated internal controls that may have a material impact on our entire financial reporting on a consolidation basis (company-level controls). Based on the results of this assessment, we selected business processes to be tested. We analyzed these selected business processes, identified key controls that may have a material impact on the reliability of our financial reporting, and assessed the design and operation of these key controls. These procedures have allowed us to assess the effectiveness of our internal controls.

We determined the necessary scope of assessment of internal control over financial reporting for the Company, its consolidated subsidiaries, and affiliate accounted for by the equity method, in terms of material impact on the reliability of their financial reporting. The materiality affecting the reliability of financial reporting is determined by considering quantitative and qualitative impacts. Following the assessment of company-level controls conducted for the Company and its consolidated subsidiaries, we reasonably determined the necessary scope of assessment of internal controls over business processes. One affiliate accounted for by the equity method is considered insignificant in terms of quantitative and qualitative material impact. As a result, it has been excluded from the scope of the assessment of company-level internal controls.

With respect to the scope of assessment of internal control over business processes, we aggregated locations with the highest net sales in the consolidated fiscal year and designated those collectively accounting for approximately two-thirds of consolidated net sales as "significant business locations/units." For significant business locations/units, the business process to net sales, accounts receivable-trade, and inventories, which are accounts involved with a large part of the business purpose of the company, has been included in the scope of the assessment. Furthermore, business processes associated with significant accounts carrying a high likelihood of significant misstatements and involving estimates and forecasts, as well as those associated with businesses or business operations with high-risk transactions, have been included as material business processes in the scope of the assessment, taking into account their impact on financial reporting.

## 3 Matters Related to Assessment Results

As a result of the assessment described above, as of March 31, 2024, we concluded that the Group's internal control over financial reporting was effectively maintained.

## 4 Supplementary Information

Not applicable.

## 5 Other Information for Special Attention

Not applicable.

## [Cover]

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| [Document Title] | Confirmation Letter |
| [Clause of Stipulation] | Article 24-4-2, Paragraph 1 of the Financial Instruments and Exchange Act |
| [Place of Filing] | Director-General, Kanto Local Finance Bureau |
| [Filing Date] | June 27, 2024 |
| [Company name] | Socionext Inc. |
| [Company Name in English] | Socionext Inc. |
| [Title and Name of Representative] | Masahiro Koezuka, Representative Director, Chairman, President and CEO |
| [Title and Name of Chief Financial Officer] | Yutaka Yoneyama, Director and Deputy President and CFO |
| [Address of Head Office] | 2-10-23 Shin-Yokohama, Kohoku-ku, Yokohama, Kanagawa |
| [Place for Public Inspection] | Tokyo Stock Exchange, Inc.<br>(2-1, Nihombashi Kabuto-cho, Chuo-ku, Tokyo) |

## 1 Matters Related to Adequacy of Statements Contained in Annual Securities Report

Masahiro Koezuka, Representative Director, Chairman, President and CEO of Socionext Inc. (the “Company”), and Yutaka Yoneyama, Director and Deputy President and CFO of the Company, confirmed that statements contained in the annual securities report for the tenth fiscal year (from April 1, 2023 to March 31, 2024) were adequate pursuant to the Financial Instruments and Exchange Act

## 2 Other Information for Special Attention

Not applicable.