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Consolidated Financial Results for the 9 Months Ended December 31, 2024 (Based on Japanese GAAP)

January 31, 2025

Company name: Socionext Inc. Stock exchange listing: Tokyo
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Scheduled dividend payment date: -
Supplementary material: Yes
Financial results presentation: Yes (for institutional investors and analysts)

(Monetary amounts are rounded to the nearest millions of yen)

1. Consolidated financial results for the 9 months ended December 31, 2024 (From April 1, 2024 to December 31, 2024)

(1) Consolidated financial results (Percentage represents change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%
9 months ended								
December 31, 2024	145,264	(14.4)	20,660	(26.1)	21,103	(28.0)	16,474	(18.8)
December 31, 2023	169,638	22.2	27,944	66.8	29,302	60.4	20,300	33.1

Note:

Comprehensive income: 9 months ended December 31, 2024: 16,870 million yen [(19.4) %]
9 months ended December 31, 2023: 20,935 million yen [34.2 %]

	Basic earnings per share	Diluted earnings per share
9 months ended	yen	Yen
December 31, 2024	92.10	91.17
December 31, 2023	115.76	112.57

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 and diluted earnings per share are computed base on the assumption that the stock split was implemented at the beginning of the year ended March 31, 2024.

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio
As of	millions of yen	millions of yen	%
December 31, 2024	168,622	134,374	79.7
March 31, 2024	186,840	131,020	70.1

Reference: Shareholder's equity: As of December 31, 2024: 134,374 million yen

As of March 31, 2024: 131,020 million yen

2. Dividends per share

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

Note: Revision of the latest dividends forecast: No

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

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

(Percentage represents change from the same period of the previous fiscal year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Basic earnings per share
	millions of yen	%	millions of yen	%	millions of yen	%	millions of yen	%	yen
Year ending March 31, 2025	190,000	(14.1)	24,000	(32.4)	24,000	(35.3)	18,000	(31.1)	100.83

Note: Revision of the latest consolidated earnings forecast: Yes

For further details, please refer to “Notice Regarding the Revision of Financial Forecasts” announced today (January 31, 2025).

※ Notes

- (1) Significant changes in the scope of consolidation during the current reporting period: No
- (2) Application of special accounting methods for quarterly consolidated financial statements: No
- (3) Changes in accounting policies, accounting estimates and retrospective restatements for consolidated financial statements
- ① Changes in accounting policies due to revisions of the accounting standards and other regulations: Yes
 - ② Changes arising from factors other than ①: No
 - ③ Changes in accounting estimates: No
 - ④ Retrospective restatements: No

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

(4) Number of issued shares (Common stock)

① Number of shares issued at the end of the period (including treasury stock)	As of December 31, 2024	179,457,855	As of March 31, 2024	178,687,405
② Number of treasury stock held at the end of the period	As of December 31, 2024	2,017,427	As of March 31, 2024	788
③ Average number of shares during the period	9 months ended December 31, 2024	178,861,550	9 months ended December 31, 2023	175,360,445

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

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

※ Explanation of the proper use of earnings forecast and other special notes

These materials may contain forward-looking statements that are based on management’s current information, actual results may differ materially from these forward-looking statements for various reasons. For information regarding the assumptions used to prepare the forecast and cautionary note of the forecast, please refer to “1. Overview of operating results (3) Consolidated earnings forecast and other forward-looking information” on page 4 for more details.

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1. Overview of operating results

(1) Overview of operating results for the 9 months ended December 31, 2024

During the 9 months ended December 31, 2024, the global economy has continued to experience severe conditions, including reduced export demand in regions such as Europe and Japan, caused by stagnant domestic demand in China despite easing inflationary pressures. The U.S. economy, however, has remained robust, with expanding demand bolstered by factors such as improved consumer spending and capital investment, highlighting regional differences. Moreover, the gradual pace of interest rate cuts in the U.S. made it unlikely for the interest rate gap between Japan and the U.S. to narrow, which leading to the depreciation of the Japanese yen.

Logic ICs sector achieved growth compared to the 9 months ended December 31, 2023. In terms of applications, there are varied recovery patterns. Demand for data centers continued to expand, driven by the increased investment in AI. In automotive sector, despite the regional variations, the demand for Advanced Driver Assistance Systems (ADAS)/ Autonomous Driving (AD) remained solid. Additionally, demand for smartphones and PCs, which had been significantly sluggish in the previous year, showed signs of recovery. However, demand for industrial equipment, 5G base stations as well as consumer electronics remained weaker compared to the 9 months ended December 31, 2023.

The Group (“the Group”, “the Company”, “we” and “our” refer to Socionext Inc., and its consolidated subsidiaries, or Socionext Inc. on a non-consolidated basis, as the context may require) has been acquiring more design wins in its focus areas including automotive and data center & networking. In the 9 months ended December 31, 2024, we acquired design wins from North America and India in data center area, which have entered the design and development stage. This success is due to the transformation of the business model, shift of focus areas to high-growth and cutting-edge business areas where more global large-scale businesses are expected, as well as structural reform including bold transformation in business structure, all implemented by current CEO since his appointment in April 2018 (which we refer to as phase 1 transformation). Through the transformation, we have acquired design win amount (a foreign exchange assumption of 100 yen to the U.S. dollar has been used) of roughly 200 billion yen during each of the fiscal years ended March 31, 2020, 2021 and 2022, an increase from the design win amount of roughly 100 billion yen for the fiscal year ended March 31, 2019. From the fiscal year ended March 31, 2023, we have been further achieving design win amount of 250 billion yen. Additionally, the acquired design wins have entered the mass production stage and are steadily contributing to net sales. Moreover, we are also proceeding with our next stage of transformation, which we call phase 2 transformation. This phase aims to establish a competitive R&D structure and create a dynamic business culture as a global company. We are intensifying our efforts to transform our corporate systems, organizational structures, and employee awareness through ongoing communication with global customers, players in the semiconductor ecosystem and investors.

Additionally, we established the Global Leading Group, aiming to create a structure tasked with large-scale advanced technology projects as model cases. With the Global Leading Group at the core, we have been continuously improving by integrating several key activities: establishing a computer-architecture-based design and development platform as well as standard design and development processes suitable for the Solution SoC business model, enhancing both the efficiency and visibility of these processes, alongside reforms in design and development management. We have been strengthening our global design and development capabilities, beginning with the branch office in Bangalore, India, which was opened in previous fiscal year ended March 31, 2024.

Our research and development costs consist of both upfront investments in advanced technologies for acquiring design wins in our focus areas and investments in product development linked to acquired design wins. For the 9 months ended December 31, 2024, our research and development costs increased by 16.1% to 44,397 million yen, due mainly to product development related with increasing acquired design wins. To utilize the latest advanced technologies in the evolving ecosystem, we closely collaborate with partners including Arm and TSMC, and actively invest in advanced technologies including 2nm and finer process nodes, advanced packaging technologies such as chiplet, application of latest EDA tools as well as platformization. The development of SoCs for ADAS/AD using 3nm automotive process, and SoCs for High-Performance-Computing (HPC) processor based on the Arm architecture and built on TSMC 5nm technology node are also progressing smoothly, as well as the collaboration with Centre for Development of Advance Computing (C-DAC) in India and Moschip Technologies. Moving forward, we will continue to be engaged in advanced technologies including the adoption of AI for design and development processes.

Moreover, we have integrated the related organizations of the production planning, control and supply chain management to enhance our global production and procurement system. By allocating a production control team in Taiwan, where suppliers are highly concentrated, we have established a direct interface and strengthen our coordination with these suppliers. As a result, we have been developing a structure that allows us to respond swiftly to any changes in manufacturing capacities of our manufacturing partners. As we acquired design wins of large-scale projects for advanced development over the past few years, we have strengthened our relationships with global companies that form the ecosystem across the semiconductor industry. We have particularly made progress in joint development projects in advanced technology areas by establishing and enhancing management-level relationships with global

companies headquartered in North America and Taiwan and so on.

The consolidated net sales for the 9 months ended December 31, 2024 were 145,264 million yen, a decrease of 14.4% from the 9 months ended December 31, 2023. Our net sales consist of product revenue from the applicable products which entered the mass production stage and NRE revenue received from customers based on costs incurred in scheduled milestones during the design and development process. Product revenue was 115,000 million yen, decreased by 19.0% compared to the 9 months ended December 31, 2023. The decrease was due mainly to the end of special demand of 5G base stations from a Chinese customer, and the decline in demand related to telecommunications equipment in Chinese market of data center & networking area. NRE revenue was 29,593 million yen, an increase of 9.2% from the 9 months ended December 31, 2023, due to ongoing development projects of products requiring 7nm and finer process nodes in automotive and high-end cameras and the completion of development projects for medical area.

[Net sales]	(millions of yen)	
	9 months ended December 31, 2023	9 months ended December 31, 2024
Semiconductor products (product revenue)	141,954	115,000
Non-recurring engineering (NRE revenue)	27,110	29,593
Others	574	671
Total	169,638	145,264

Cost of sales in the 9 months ended December 31 2024 was 65,801 million yen. Selling, general and administrative expenses were 58,803 million yen due to increasing development projects of products using advanced process technologies and the depreciation of the Japanese yen. Operating income decreased by 26.1% from the 9 months ended December 31, 2023 to 20,660 million yen. With non-operating income and expenses, ordinary income was 21,103 million yen decreased by 28.0% from the 9 months ended December 31, 2023. Extraordinary income was 1,790 million yen due to gain on sale of non-current assets in accordance with the sale of Kozoji office. Profit attributable to owners of parent decreased by 18.8% from the 9 months ended December 31, 2023, to 16,474 million yen. The Japanese yen/U.S. dollar average exchange rate for the 9 months ended December 31, 2024 was 152.6 yen to the U.S. dollar, a depreciation of 9.3 yen compared to the 9 months ended December 31, 2023.

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

(2) Overview of financial position for the 9 months ended December 31, 2024

① Assets, liabilities and net assets

(Assets)

Current assets as of December 31, 2024 decreased by 15,229 million yen from the end of the previous fiscal year to 123,672 million yen. This is due mainly to the decrease in accounts receivable-trade and inventories in accordance with decreased net sales.

Non-current assets as of December 31, 2024 decreased by 2,989 million yen from the end of the previous fiscal year to 44,950 million yen. This is due mainly to increased depreciation expenses and the sale of Kozoji office, despite the capital investment including the acquisition of reticles and test boards in connection with product development of acquired design wins, the improvement of design and development environment and the acquisition of IP, etc.

As a result, total assets as of December 31, 2024 decreased by 18,218 million yen from the end of the previous fiscal year to 168,622 million yen.

(Liabilities)

Current liabilities as of December 31, 2024 decreased by 20,980 million yen from the end of the previous fiscal year to 32,114 million yen. This is due mainly to the decrease in accounts payable-trade and liabilities related to chargeable subcontracting in accordance with decreased net sales.

As a result, total liabilities as of December 31, 2024 decreased by 21,572 million yen from the end of the previous fiscal year to 34,248 million yen.

(Net assets)

Net assets as of December 31, 2024 increased by 3,354 million yen from the end of the previous fiscal year to 134,374 million yen. This is due mainly to 16,474 million yen in profit attributable to owners of parent for 9 months ended December 31, 2024, the

payment of dividends of 8,952 million yen and purchase of treasury stock of 5,000 million yen (sum of 2,016,500 shares). As a result, the shareholders' equity ratio has been 79.7%, increased by 9.6 percent points from the end of the previous fiscal year.

② Cash flows

Cash and cash equivalents as of December 31, 2024 increased by 188 million yen from the end of the previous fiscal year to 69,926 million yen.

Net cash provided by operating activities was 23,486 million yen for the 9 months ended December 31, 2024, compared to 35,510 million yen provided for the 9 months ended December 31, 2023. This is due mainly to profit before income taxes of 22,893 million yen, depreciation of 11,771 million yen and the payment of income taxes of 7,935 million yen.

Net cash used in investing activities was 9,722 million yen for the 9 months ended December 31, 2024, compared to 18,634 million yen used for the 9 months ended December 31, 2023. This is due mainly to the purchases of 8,582 million yen of property, plant and equipment including reticles and test boards for product development for the acquired design wins, as well as those for improving the design and development environment, and the purchases of 3,345 million yen of intangible assets including IP and the proceeds from sale of non-current assets of 2,363 million yen.

Net cash used in financing activities was 13,882 million yen, compared to 6,749 million yen used for the 9 months ended December 31, 2023, and this is due to payment of the dividends of 8,952 million yen and purchase of treasury stock of 5,000 million yen.

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

During the 9 months ended December 31, 2024, considering the factors such as the decline in demand related to telecommunications equipment in Chinese market, in addition to prolonged inventory adjustments requested by customers, the Company has revised its net sales, operating income, ordinary income and profit attributable to owners of parent. The exchange rate for the 3 months ending March 31, 2025 is assumed to be 130 yen to the U.S. dollar.

For further details, please refer to "Notice Regarding the Revision of Financial Forecasts" announced today (January 31, 2025).

Revision of consolidated financial forecasts for the fiscal year ending March 31, 2025 (From April 1, 2024 to March 31, 2025)

		Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Dividends per share
		millions of yen	millions of yen	millions of yen	millions of yen	
Full Year	Previous forecast (A)	200,000	27,000	27,000	19,500	50.00
	Revised forecast (B)	190,000	24,000	24,000	18,000	50.00
	Difference (B-A)	(10,000)	(3,000)	(3,000)	(1,500)	0.00

2. Quarterly consolidated financial statements and principal notes

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Assets		
Current assets		
Cash on hand and in banks	69,738	69,926
Accounts receivable-trade, net	35,257	30,157
Finished goods	6,090	5,726
Work in process	19,414	9,878
Accounts receivable-other	2,935	2,472
Other current assets	5,467	5,513
Total current assets	138,901	123,672
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	3,441	2,633
Machinery and equipment, net	6	63
Tools, furniture and fixtures, net	17,318	19,217
Land	800	-
Construction in progress	235	218
Total property, plant and equipment, net	21,800	22,131
Intangible assets		
Technology assets	16,166	14,845
Other intangible assets	2,298	2,147
Total intangible assets	18,464	16,992
Investments and other assets		
Investment securities	0	0
Deferred tax assets	6,740	4,859
Other assets	935	968
Total investments and other assets	7,675	5,827
Total non-current assets	47,939	44,950
Total assets	186,840	168,622

(Millions of yen)

	As of March 31, 2024	As of December 31, 2024
Liabilities		
Current liabilities		
Accounts payable-trade	15,764	11,407
Accounts payable-other	9,334	7,580
Accrued expenses	8,859	5,344
Income taxes payable	6,817	3,167
Liabilities related to chargeable subcontracting	9,319	1,522
Other current liabilities	3,001	3,094
Total current liabilities	53,094	32,114
Long-term liabilities		
Asset retirement obligations	350	353
Lease liabilities	2,042	1,425
Other long-term liabilities	334	356
Total long-term liabilities	2,726	2,134
Total liabilities	55,820	34,248
Net assets		
Shareholders' equity		
Common stock	32,656	32,905
Deposits for subscriptions of shares	85	23
Capital surplus	32,656	32,905
Retained earnings	63,604	71,126
Treasury stock	(3)	(5,003)
Total shareholders' equity	128,998	131,956
Accumulated other comprehensive income		
Foreign currency translation adjustments	2,022	2,418
Total accumulated other comprehensive income	2,022	2,418
Total net assets	131,020	134,374
Total liabilities and net assets	186,840	168,622

(2) Quarterly consolidated statements of income and comprehensive income

Quarterly consolidated statements of income

(Millions of yen)

	9 months ended December 31, 2023	9 months ended December 31, 2024
Net sales	169,638	145,264
Cost of sales	87,360	65,801
Gross profit	82,278	79,463
Selling, general and administrative expenses	54,334	58,803
Operating income	27,944	20,660
Non-operating income		
Interest income	247	318
Foreign exchange gain	1,101	161
Other income	58	31
Total non-operating income	1,406	510
Non-operating expenses		
Other expenses	48	67
Total non-operating expenses	48	67
Ordinary income	29,302	21,103
Extraordinary income		
Gain on sale of non-current assets	-	1,790
Total extraordinary income	-	1,790
Profit before income taxes	29,302	22,893
Income taxes-current	8,115	4,538
Income taxes-deferred	887	1,881
Total income taxes	9,002	6,419
Profit	20,300	16,474
Profit attributable to owners of parent	20,300	16,474

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	9 months ended December 31, 2023	9 months ended December 31, 2024
Profit	20,300	16,474
Other comprehensive income		
Foreign currency translation adjustments	635	396
Total other comprehensive income	635	396
Comprehensive income	20,935	16,870
Comprehensive income attributable to:		
Owners of parent	20,935	16,870

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	9 months ended December 31, 2023	9 months ended December 31, 2024
Cash flows from operating activities		
Profit before income taxes	29,302	22,893
Depreciation and amortization	9,532	11,771
Interest and dividend income	(247)	(318)
Loss on retirement of non-current assets	696	1,246
Loss (gain) on sale of non-current assets	-	(1,790)
Decrease (increase) in accounts receivable	8,249	5,969
Decrease (increase) in inventories	16,182	9,900
Increase (decrease) in accounts payable	(8,460)	(5,039)
Decrease (increase) in other assets	12,346	368
Increase (decrease) in other liabilities	(21,787)	(13,970)
Other	(514)	73
Subtotal	45,299	31,103
Interest and dividends received	247	318
Income taxes paid	(10,036)	(7,935)
Net cash provided by (used in) operating activities	35,510	23,486
Cash flows from investing activities		
Purchases of property, plant and equipment	(8,975)	(8,582)
Purchases of intangible assets	(9,664)	(3,345)
Proceeds from sale of non-current assets	-	2,363
Other	5	(158)
Net cash used in investing activities	(18,634)	(9,722)
Cash flow from financing activities		
Repayments of lease obligations	(291)	(366)
Proceeds from exercise of stock options	4,558	254
Deposits for subscriptions of shares	-	23
Proceeds from exercise of share award rights	146	159
Purchase of treasury stock	(2)	(5,000)
Dividends paid	(11,160)	(8,952)
Net cash used in financing activities	(6,749)	(13,882)
Effect of exchange rate changes on cash and cash equivalents	665	306
Increase (decrease) in cash and cash equivalents	10,792	188
Cash and cash equivalents at the beginning of the fiscal year	45,136	69,738
Cash and cash equivalents at the end of the period	55,928	69,926

(4) Notes to quarterly consolidated financial statements

Changes in accounting policies

(Application of Accounting Standard for Current Income Taxes)

Accounting Standard for Current Income Taxes (ASBJ Statement No. 27, October 28, 2022) (hereinafter referred to as “Revised Accounting Standard 2022”), have been adopted from the beginning of the current fiscal year ending March 31, 2025 under review.

The amendment to categories in which current income taxes should be recorded (taxes on other comprehensive income) follows the transitional treatment prescribed in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022 and the transitional treatment prescribed in the proviso (2) of the paragraph 65-2 of Implementation Guidance on Tax Effect Accounting (ASBJ Guidance No. 28, October 28, 2022) (hereinafter referred to as “Revised Implementation Guidance 2022”). These changed in accounting policies have no impact on the consolidated financial statements.

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

Segment information

1. 9 months ended December 31, 2023

(From April 1, 2023 to December 31, 2023)

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

2. 9 months ended December 31, 2024

(From April 1, 2024 to December 31, 2024)

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

Significant changes in shareholders' equity

Based on the resolution of the Board of Directors held on October 31, 2024, the Company acquired 2,016,500 shares of treasury stock. As a result, treasury increased by 5,000 million yen to 5,003 million yen as of December 31, 2024.

Assumptions of a going concern

None.

Subsequent Events

None.