

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

(Held on April 28, 2023)

Summary of Q & A

Q1. Regarding the Design Win Balance as of March 31, 2023, you explained it increased by 60 billion yen. What is the impact of semiconductor industry as a whole being currently in an inventory adjustment phase? Please also tell us about the factors for the increase and decrease by market areas.

A1. Differing slightly from the trend of semiconductors in general, as our products are custom products, we are comparatively less affected by the market fluctuations.

For the time being, we expect sales of new mass-produced products to lead growth. Although some products in the consumer and industrial fields are weak, Design Win Balance for Data Center & Networking and Automotive is steadily increasing.

Design Win Balance for Smart Devices also increased compared to last fiscal year.

Q2. It seems that Data Center & Networking products for China are currently driving your business performance. Is there any impact from the tightening of regulations on China?

A2. We believe that it is fundamental to comply with all regulations.

At this point in time, we do not expect regulations to impact our business performance during the current fiscal year.

We believe that it is fundamental to expand our business in innovative markets, while maintaining a regional balance and complying with laws and regulations.

Q3. You have indicated that 5~7nm as the cutting-edge products. What is your approach to technologies beyond 5nm?

A3. We used the term “5nm products” symbolically, and we are actually working on technologies beyond that as well. We are aiming to complete 3nm test chip this fiscal year. We also want to start working on 2nm technology as soon as possible.

In fact, although the details have yet to be determined, some customers have expressed an interest in 3nm products. We hope to complete the test chip as soon as possible.

Q4. The Design Win Amount reached the 250-billion-yen level last fiscal year. What do you think are the reasons for this rise from the 200-billion-yen level of the previous three years?

A4. The Design Win Amount in the fiscal year ended March 31, 2020 rose from the 100-billion-yen level to the 200-billion-yen level. This was not only because the amount and volume expanded but also because we worked in cutting-edge fields where scale of the design and development are large. Acquiring Design Win for large-scale and cutting-edge product means the volume of the business gets large as well. I believe we became a company capable of implementing projects with a Design Win Amount of 200 billion yen by strengthening the human resources and the R&D team structure.

Q5. Please tell us about the status of customer concentration and oligopoly.

A5. In the fiscal year ended March 31, 2022, there were a few customers that accounted for about 10% of total sales. In the fiscal year ended March 31, 2023, the ratio of sales for a customer in Data Center & Networking in China exceeded 10%.

Q6. There has been an increase in sales for industrial applications. How do you see the relationship between this and the areas that you have focused on so far? While other semiconductor suppliers are focusing on industrial applications, it has not been your focus area. What does the increase in industrial applications mean to you?

A6. First, regarding industrial applications, as of 2018 and 2019, we regarded the market for custom SoC to become smaller. That view has changed a bit over the past year. I believe that requirements are slightly different between prior and current industrial equipment. There are areas in which demand for 5nm and 7nm products is emerging for measuring and FA equipment. There is demand for solution SoCs, even in the industrial sector, for products such as semiconductor and other measuring equipment that employs advanced technologies.

We have discovered that there are needs for FA equipment that conventional ASICs cannot meet. As networking and virtualization progress, there is an increasing demand for custom SoCs that incorporate high-performance CPU.

Q7. Of your current sales of around 200 billion yen, what is the share of overseas sales?

A7. In the fiscal year ended March 31, 2023, Japan accounts for 44% of sales, and overseas sales accounts for 56%. We expect the ratio of overseas sales to total sales, including product sales, to continue to rise in the future as the overseas share is increasing in terms of Design Win Amount and NRE revenue.

Q8. How did you raise the share of overseas sales?

A8. Since 2018, we have been working to transform our business model.

We chose the Solution SoC business model and decided to focus on market areas such as Automotive, Data center & Networking and Smart Devices, where demand is expected to grow for the advanced technology products. Along with the shift in business model, we realized that we had to acquire businesses from overseas customers in order to grow in the advanced technology areas. To acquire overseas businesses, we have been strengthening our sales team. Also, we have been reforming our R&D structure in line with the projects we have won.