

Consolidated Financial Results Briefing for the Second Quarter of Fiscal Year Ending March 2025 (October/31, 2024)

Summary of Q & A

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Q1. There was an explanation that the company would expand investment in advanced technology fields for further growth. Which specific technology will you focus your investment on?

A1. We are developing 2nm test chip combined with chiplet technology. We will work on further advanced process nodes. We are also implementing latest packaging technologies. And we are working on the utilization of such technologies in new application areas that are expected to expand, by strengthening partnership with customers. We are also further strengthening our solution SoC design capability, including design technologies for high-reliability integration of new packaging and assembly technologies, as well as those for testing, thermal and in-die analysis. We are also promoting collaboration with leading EDA vendors to incorporate AI into front-end / back-end design process.

Q2. Recently, there has been concern about the downturn in automotive market. Has this impacted the company's products that are already in production? Regarding the products that are currently under development, have there been any extension of schedule or cancellation of projects?

A2. As for the automotive products that are currently in production, we have not been affected significantly by the market conditions, or have not seen any major changes from the results of the previous fiscal year or initial forecast in this fiscal year, although the situation somewhat differs from customer to customer. Regarding the products that are currently under development, there are customers who want to pull-in production schedule or increase volume, while others may need to postpone schedule or reduce volume, although we still need to figure out the extent. As for HPC (High-Performance Computing) products for automotive, there have been no cancellations so far, and we do not expect any major impact at this point, although we will need to keep monitoring the trend carefully.

Q3. Regarding the net sales for current fiscal year, the explanation was that in Data Center & Networking, decrease of sales due to the end of Special Demand had been expected, but in addition, impact of weak demand in China telecommunication sector, etc. was also factored in. How do you see the impact of this situation from this fiscal year through next?

A3. The main factor for the lower net sales from FY24/3 to FY25/3 and FY26/3, is that we are looking at demand in China very strictly, including those for telecommunication. We have previously explained the end of Special Demand. We expect the normal portion of sales from that Special Demand product, as well as the demand from other products to be also weaker in China. We believe this is due to a combination of factors, including economic situations, trend in capital investment for telecommunication sector, as well as inventory conditions of individual customers, in China.

Q4. Regarding the trend and forecast of operating margin, you have explained that you expect to decrease slightly, from this fiscal year to the next. What are the factors for product gross margin to decrease from this fiscal year?

A4. Product gross margin is expected to improve in this fiscal year, due to changes in product mix and indirect impact of foreign exchange on procurement to the product cost. In FY26/3, the gross margin will be a little

lower, as we expect the indirect impact of foreign exchange on procurement to be lower, and there will be product mix change due to the ramp up of mass production of new products.

Q5. For your full-year forecast, please tell me about the increase or decrease in product sales compared to the initial forecast (as of April 2024). For Data Center & Networking, in particular, has the impact already been seen in the first half of this fiscal year, or is it expected to be seen in the second half?

A5. We expect that the impact will be greater in the second half than the first half.

Q6. As for the Special Demand product, I think the product sales peaked out in previous fiscal year and it is going to decrease in this fiscal year and next. How do you see the trend?

A6. There were front-loading of the demand for this product, and we expected that the product sales were going to decrease in this fiscal year and next. However, the demand seems to continue a little longer. Product cycles for telecommunication equipment also tend to be longer on a global basis. This product may last longer than we expect, although the sales are going to decrease.

Q7. What other products, other than Special Demand products, do you have for telecommunication in China?

A7. There are several products, including those for wired communication. Sales from each of these products are not very large, and the total sales are decreasing.

Q8. Regarding the project for Data Center in the U.S., it was still before the formal contract, at the time of the last briefing. What is the progress since then?

A8. The contract was signed before the end of the second quarter, and the project is now regarded as a design win according to our internal standards. The development practically started in the first quarter. We expect the project to enter mass production stage in FY27/3.

Q9. With this design win for the Data Center in the U.S., do you expect that you can expand the business in this area?

A9. There are growing needs for Solution SoC type of development that require leading-edge technologies. We would like to acquire more design wins in this area going forward. There are no specific business opportunities that I can disclose now, but we will continue our investment in the leading-edge technology areas to expand our track record in this area, leveraging this U.S. Data Center business as a trigger.

Q10. If you look at the NRE revenue by process node in the first half, 3nm to 7nm account for big part, more 80%. For which node do you have the most projects?

For which application and for which region do you have the most projects with such leading-edge process nodes?

A10. 3nm and 5nm combined account for more than 50% of the total. By application, we have projects for Automotive and Date Center for 3nm. We have projects for more applications for 5nm, but the Automotive is the largest in number. By region, we have the largest proportion of projects for such leading-edge process nodes in the U.S., followed by China and Japan.

Q11. Regarding the Design Win Amount for this fiscal year, you have explained that you are aiming to win more than 250 billion yen, the level of the previous year, and that more than 50% of the projects that you have already won in this first half are for Data Center & Networking.

There were many projects for Automotive in the previous fiscal year. Are the number of Automotive projects decreasing in this fiscal year?

A11. I believe that most of the Automotive OEMs, who are trying to have their own custom SoCs for HPC, are doing business with us. For such customers, there are projects that are progressing toward mass production. In terms of new business opportunities, I think we are just in between the peaks of previous and next generation products. Globally, we believe that the trend toward developing their own chips will continue to grow, and we intend to expand our business by leveraging our strengths in this focus area.