

Consolidated Financial Results Briefing for the Third Quarter of Fiscal Year Ending March 2023 (Held on January 30, 2023)

Summary of Q & A

Q1. In the current financial results, you have revised your full-year forecast to expect a much lower level of operating income of 2.8 billion yen for the fourth quarter. What are the factors behind this?

A1. The primary factor is that the assumed exchange rate for the fourth quarter is 120 yen to the dollar. Another factor was that some NRE revenue originally expected to occur in the fourth quarter were recorded in the third quarter ahead of schedule. Sales in the third quarter showed a tendency to increase mainly because the business has been expanding globally.

Q2. As for sales in the third quarter, sales to China are growing. What risks are emerging concerning the trade friction between the U.S. and China? Also, what risks do you foresee in the future, and how do you plan to address them?

A2. First, in terms of Design Win Balance, about one-fourth is for automotive, and one-fourth is for data center & networking, respectively. By region, China and the U.S. each accounted for about 20% of the total. The data center & networking field is currently expanding mainly because of the relatively short lead time to the start of mass production and greater-than-expected growth in demand in this field. In terms of regions, Sales to China are expanding. We expect this trend to continue for a bit longer. In terms of Design Win Balance, we believe that the composition will become more balanced during the period from fiscal year March 2025 to fiscal year March 2027 with the ratio I just mentioned. Regarding the geopolitical risks you indicated, we think that there are multifaceted issues with regards to the market and manufacturing. We intend to expand our business by acquiring design wins with an awareness of regional balance while complying with the laws and regulations of each country. Our business model is to make the most of Solution SoC's ecosystem. As for manufacturing, we intend to utilize various foundries and Outsourced Semiconductor Assembly and Test (OSAT) companies to meet customer needs, although specific manufacturers play a central role in the cutting-edge field.

Q3. Regarding the U.S. export restrictions on China, will there be any impacts on business in the current or next fiscal year?

A3. We are conducting business negotiations while fully complying with U.S. regulations and closely monitoring regulatory trends. We do not believe that there will be any impacts on our outlook for the current or next fiscal year.

Q4. In your explanation, you mentioned diversification of foundries. The Japanese government has also announced a plan to create a state-of-the-art semiconductor foundry. What is your view on this?

A4. We have transformed our business model and business areas to grow in the advanced technology field and the global market. We hope to contribute to global innovation with our unique business model. We look forward to expanding our options in the future with the establishment of a manufacturing base having state-of-the-art process technologies in Japan.

Q5. The average age of your company's employees seems high. How do you plan to recruit younger personnel and pass down your technology?

A5. We are designing semiconductors with cutting-edge process technologies, and we would like to contribute to the world as a company where engineers can tackle great challenges. At the same time, our former parent company hired excellent engineers, and personnel who experienced the development of the most advanced technologies of the time in the semiconductor sector are still active today. Along with expanding the hiring of new graduates and mid-career workers in Japan, we believe it is necessary to strengthen our global human resources to enhance our technological capabilities and to expand overseas sales.

Q6. What efforts are you making with regard to chiplets?

A6. We believe it is necessary to think about the entire system based on the architecture of the entire application system. We also believe it is necessary to think about how to use chiplets from an architectural perspective, not regarding them to be an individual technology such as for connectivity. We are working on how to apply our chiplets in the advanced SoC field from the perspective of the system, along with how to accumulate experience with individual technologies and how to apply them. In cooperation with foundries or OSAT companies, we are working on chiplets both in terms of applying specific chiplet technologies and also studying how they can be used systematically.

Q7. You explained that you think of SoCs from the system side, but what kind of partnerships do you have in terms of software development ecosystems? Some other companies have created unique ecosystems; what kind of ecosystems are you creating?

A7. We currently have about 1,900 engineers, some of whom are software engineers. The business model of Solution SoC, which is our most distinctive feature, is characterized by the presence of engineers who understand the upstream architectures or systems of customers and who can also design architecture on the SoC side. As for partnering, we are deepening collaboration with IP vendors, EDA vendors, and other parties that form the SoC ecosystem. Being an SoC vendor with in-house software engineers, we have built a unique business model called Solution SoC, which enables us to support our customers' software development from the initial stages. In addition, our engineers actively participate in global standardization organizations. We consider the growing demand for custom SoCs is largely due to the evolution of the SoC ecosystem and expanding use of Open Source Software

(OSS). We believe that what distinguishes us is that we have in-house engineers who understand entire SoC system and software including OSS.