

Consolidated Financial Results Briefing for the Third Quarter of  
Fiscal Year Ending March 2024 (January /30, 2024)  
Summary of QA

**Q1. Regarding the revision of the full-year forecast, you explained that the revision was mainly due to exchange rate factors, but have market conditions changed compared to three months ago?**

**A1.** The full-year forecast remains broadly unchanged from the previous forecast, except that the current forecast reflects changes in exchange rate. Profit, however, reflects the impact of tax adjustment. In terms of market conditions, weak macro demand in the consumer, industrial, and other sectors has impacted mass production sales, but this factor was already considered in our previous forecast. Development and new business opportunities for automotive are steady and robust. In terms of sales related to the Special Demand, although said Special Demand ended in the first half of the fiscal year, sales of the base portion continue and are expected to remain at the expected level.

**Q2. The gross margin for the third quarter seemed high. I understand that the main reason for the increase in gross profit was the elimination of one-time cost for advance wafer procurement compared to the same period last year and an increase in NRE sales compared to the previous quarter, but were there other factors, such as changes in the product mix?**

**A2.** Compared to the same period last year, in addition to the elimination of one-time cost for advance wafer procurement, the indirect foreign exchange impact of lower wafer and other purchases also contributed to improved product gross margins. In addition to increased NRE sales, other factors such as a better product mix, reduced costs, and improved yields also contributed to the improvement compared to the previous quarter.

**Q3. As for automotive business, I understand that the majority of your products are custom, so they are not easily affected by macro demand. However, given the recent difficult conditions in the automotive semiconductor market, have you been affected by the cancellation of development projects that are not in the leading-edge technology area ?**

**A3.** For automotive products, there are some products currently in mass production that are slightly affected by macro demand, but there have been no changes in customers' development plans for autonomous driving/ADAS products, which are currently the focus of our development, and the situation has not been particularly affected by macro demand.

**Q4. In terms of capital expenditures, the third quarter result reached to a level of record high. What is your view as to whether it will continue to rise, or peak and decline?**

**A4.** Due to an increase in the development projects of advanced technology products, investment in IP/reticles is on the rise, and depreciation and amortization expenses are gradually increasing. Moreover, internal infrastructure investments, such as IT and network investments to improve the design environment, are increasing. We expect capital expenditures and depreciation and amortization to continue to increase gradually in line with the increase in development projects of advanced technology products.

**Q5. Looking at the NRE sales trends, the percentage of automotive sales has increased significantly and is expected to increase as a percentage of product sales over the next few years. Given these circumstances, are you considering a strategy of focusing more on automotive and less on other areas in the future? Or is your basic policy to treat the four focus areas equally? What is your future management strategy?**

**A5.** We would like to have balanced growth in terms of applications and geography. At present, our approach to product development is well suited to the needs of the automotive sector, which is reflected in the current trend, but we intend to expand our business without a slant towards any particular sector.

**Q6. Regarding Design Win Amount for the current fiscal year, you said, at the time of the second quarter briefing, that it was almost certain that it would exceed half of the previous year's amount of 250 billion yen, including those that have not been officially signed. What is the progress as of the third quarter?**

**A6.** The final amount will be announced at the time of the full-year results, but we expect it to be in line with last year's level.

**Q7. Please tell us about your objectives and the status of your participation in the Advanced SoC Research for Automotive (ASRA), which was established last December.**

**A7.** As it has just been launched, I do not have anything specific to say regarding its progress. We hope this will serve as an opportunity to expand demand for advanced automotive SoCs.

**Q8. You explained that there are strong inquiries from North American manufacturers for automotive SoCs, but do you expect inquiries from manufacturers outside of North America, such as Japanese and European manufacturers, to increase going forward?**

**A8.** Today, demand for high-performance SoCs using the latest processes is coming mainly from manufacturers in North America and China. We expect demand from Japanese and European manufacturers to increase going forward, but this will depend on individual companies' policies, since some manufacturers will design with ASSPs rather than adopting custom SoCs.

**Q9. In terms of the composition of NRE sales by process node, 3-7 nm grew significantly in the third quarter at 89%, and 3 nm NRE sales were recorded from the third quarter onwards. What are the applications for 3 nm, and will the ratio of advanced process nodes continue to increase in the future?**

**A9.** The development of advanced node products for automotive applications is progressing, and 3 nm NRE sales have been recorded since the second half of this fiscal year. We expect this to increase gradually in the future.