Consolidated Financial Results Briefing for the Fiscal Year Ended March 2025 (April/28, 2025)

Summary of Q & A

Note: This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

Q1. The full-year forecast was revised downward, at the previous 3Q briefing. Has there been any particular change in your forecast since then?

A1. There has been no specific change from the forecast announced at the end of January. We expect that we will continue to see the impact from the inventory adjustment in telecommunication equipment in China, as well as in industrial and smart devices sectors, throughout the first half of this fiscal year (FY26/3).

Q2. How do you see the impact of tariffs by the U.S.?

A2. There is no significant direct impact that we can see at this point in time. There are various uncertainties in each country's policies and macroeconomic trends, and we will be carefully monitoring the trends.

Q3. You recorded an extraordinary loss in the 4Q due to project cancellation. Has this been offset by NRE revenue?

A3. Development costs are basically covered by NRE revenue. However, since the project did not reach the mass production stage, it became necessary to impair the IP and other assets that have been capitalized, and an extraordinary loss has been recorded.

Q4. It was explained that there was a cancellation of project for automotive business in North America. Is there any impact on Design Win Balance? Is there any concern that similar cancellation may occur in the future?

A4. Although there was a cancellation in the previous fiscal year (FY25/3), the impact on the projects that were already won was a decrease of 40 billion yen, as there was an increase in demand from other automotive projects that are scheduled to start mass production. We do not think similar cancellations to follow. However, we do assume there will be a certain percentage of cancellation in the future.

Q5. Is the North American Data Center business progressing well? Are there any changes to projected business size or the schedule?

A5. There is no particular change in the forecast. We are expecting that the project will contribute to our net sales starting in the second half of the next fiscal year (FY27/3).

Q6. With regards to the design wins in FY25/3, you explained that CPU and AI-related projects accounted for more than half of the Data Center sector. What kind of products are there other than CPU?

A6. In FY25/3, in addition to the CPU business for Data Center in North America, we have also acquired design wins for AI SoCs. We have also won businesses for switches and SSD related products.

Q7. The full-year forecast for FY26/3 shows an increase of about 9 billion yen, excluding the foreign exchange impact. While there are some factors that are expected to decrease compared to FY25/3, what do you expect to increase, specifically?

A7. We expect the sales from Chinese telecommunication equipment business to decrease, but there will be significant contributions from the start of new mass production for several projects, including Automotive.

Q8. The full-year forecast for FY26/3 shows an increase in revenue and a decrease in profit, excluding the foreign exchange impact. What are the factors for the decrease in profit?

A8. The product cost ratio is expected to increase, and an increase in R&D expenses has also been factored in. As for the product cost ratio, which was 58% in FY25/3, it is expected to increase by several percentage points in this fiscal year, taking into account that there will be no indirect foreign exchange effects on procurement, which helped reduce the product cost ratio, as well as the expansion of new mass production and product mix. Although our aggressive advance investment in the leading-edge technologies is factored into the R&D expenses, we expect that the impact of increase in product cost ratio to be the major factor for the decrease in profit.

Q9. Design Win Amount was 300 billion yen in the previous fiscal year. What will the amount be in this fiscal year?

A9. We are aiming to achieve the same level as the previous fiscal year, in order to secure growth in FY29/3 and beyond. In FY25/3, the major portion of Design Wins was for Data Center businesses including those in North America. In FY26/3, we expect to see business opportunities for next generation of Automotive projects that are currently under development.

Q10. It is expected that the percentage of products in the advanced process node will increase. Will the weight of a specific foundry increase, or will you be using various foundries?

A10. As we are engaging in custom SoC business, we believe it is important to support our customers to make the best choices on the combination of technologies and suppliers, considering the technological features as well as various risks. To this end, we think it is necessary to prepare various options, including foundries for legacy products as well as for the leading-edge.