

Consolidated Financial Results Briefing for the First Quarter of Fiscal Year Ending March 2026 (July/31, 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. With regards to the first quarter results, it was stated that product revenue was slightly lower than the forecast. Is the inventory adjustment for the Chinese telecommunications equipment taking longer than the forecast at the beginning of the quarter? In addition, NRE revenue also decreased from the previous quarter. Was there any difference from the forecast?

A1. Our forecast at the beginning of the first quarter was that the sales in this fiscal year would bottom out in this quarter. The decrease in product revenue was due to the product delivery of the Chinese telecommunications equipment being delayed from the first quarter to the second quarter. There is no change to our forecast for the first half and the full year. As for NRE revenue, the decrease in the first quarter was within our expectations, and there is no change to our initial forecast.

Q2. Looking at the breakdown of sales by application market in the first quarter, sales for Data Center & Networking were significantly lower compared to both the same quarter of the previous year and the previous quarter. Please explain the reasons for this.

A2. Regarding the product revenue for Data Center & Networking in the first quarter, we saw a decrease mainly in Networking products, particularly those for the Chinese telecommunications equipment.

On the other hand, NRE revenue increased as we started development for multiple Data Center projects for which we acquired design wins in the previous fiscal year. We expect these projects to enter mass production stage in the second half of the next fiscal year.

Q3. Looking at the breakdown of NRE revenue by geographic region and process node, the US and advanced nodes (3-7nm) account for a high percentage. What are the applications for these?

A3. We have multiple projects ongoing for Automotive products that require advanced nodes. We have also started development for Data Center projects for which we acquired design wins in the previous fiscal year.

Q4. Gross margin for the first quarter improved compared to the previous quarter. Please explain the reason for this.

A4. In the first quarter, sales of relatively low-margin products significantly decreased, contributing to an improvement in product mix.

Q5. It was stated that the company has maintained its view since the beginning of the quarter, that it will launch full-scale production of the new automotive product in the second half of this fiscal year and that will drive the new phase of growth. What is the application for this product and where is the customer located?

A5. This product is for ADAS (Advanced Driver Assistance System) and AD (Autonomous Driving), and the customer is a Chinese company.

Q6. Is there any change in customer demand from the initial forecast, regarding the Automotive product which is scheduled for mass production launch? What do you expect regarding the profitability of the product?

A6. We have already received orders for this fiscal year. There are some requests for earlier delivery and increase in quantity, compared to the forecast at the beginning of the quarter. We plan to start full-scale production in the third quarter and ramp up delivery quantity. However, in terms of profit margin, the product cost ratio is higher than our regular products, as this is a new product. We will be working on to improve yield to reduce costs while continuing the production.

Q7. Is the North American Data Center project, which you acquired in the previous fiscal year, progressing well? Are there any changes to the forecast for production schedule or sales volume? What do you expect regarding the profitability of the product?

A7. The development for this North American Data Center project is already in its final stages. We expect to start the mass production in the second half of the next fiscal year, and there are no changes to our forecasts, including the sales volume. In terms of profitability of this product, we expect that it will be lower than our average products, as it is our first leading-edge product for data center application in North America, and the scale of the business is very large.

Q8. As for the design wins in the previous fiscal year, Data Center & Networking accounted for the majority, and the percentage of Automotive decreased. What is your forecast for the proportion in this fiscal year?

A8. It may be a little too early to tell our forecast for the design wins in this fiscal year. We aim to acquire design wins in a balanced manner, for Data Center & Networking, Automotive as well as other application markets.

Q9. I understand that you acquired the Data Center project in the previous fiscal year, in collaboration with an IP vendor. IP vendors may enter SoC design business, in addition to just providing IPs. Is there any concern that such IP vendors will become your competitors rather than partners in the future?

A9. We believe that we were able to acquire design win of the Data Center project, because our "Entire Design" capability, as part of our Solution SoC business model, was highly valued by the customer. We will continue to invest in leading-edge technologies to further strengthen our "Entire Design" capability, which is crucial for developing the most advanced SoCs, and become the partner of choice for innovative customers and IP vendors.

Q10. It is expected that the sales will expand this fiscal year thanks to the start of mass production of Automotive product. Are you making progress in gaining new customers other than those you already secured design wins with?

A10. We expect that innovations in ADAS/AD fields would further accelerate and demand for HPC custom SoCs would expand as well. There are moves among automobile companies which used to prefer standard products to seek custom SoCs. We will continue to approach and develop new customers.