

# **Consolidated Financial Results Briefing for the Third Quarter of Fiscal Year Ending March 2026 (January/30, 2026)**

## **Summary of Q & A**

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**Q1. It was stated at the previous financial briefing that the product cost ratio for the third quarter would be higher than in the second quarter due to the product mix. However, the increase was only slight. Is the cost ratio of the new Chinese automotive product improving faster than expected?**

A1. The improvement of the product cost for the new Chinese automotive product is progressing mostly as expected. The company's product cost ratio in the third quarter increased slightly from the second quarter due to the overall product mix.

**Q2. It was explained that the product cost ratio for the fourth quarter is expected to be higher than for the third quarter. What are the factors behind this? What are your expectations regarding the overall cost ratio for the next fiscal year?**

A2. The new Chinese automotive product, which has a relatively higher cost ratio, entered the full-swing production stage in the second quarter. While the cost ratio of the product is improving, we expect our overall product cost ratio for the fourth quarter to be higher than for the third quarter due to the product mix, as the production volume of the automotive product will increase further in the fourth quarter. We will continue to monitor the cost ratio closely, but it is generally following the trend that we explained in October last year. As for the next fiscal year, we expect the net sales to expand. However, regarding the cost ratio, we believe it is necessary to further assess the progress in the cost ratio improvement for this new Chinese automotive product, as well as the overall product mix.

**Q3. As the current automotive market is not necessarily performing well, concerns are growing over slowing demand for EVs in China. On the other hand, sales of your new Chinese automotive product are growing significantly. How do you view the demand from this customer, following the launch of mass production?**

A3. As for automotive SoCs, we currently have various projects at different stages, either in mass production ramp-up or in development. These are expected to move into full-swing production later in this fiscal year and in the next. We believe that we must closely monitor the increase and decrease of demand for each of the projects. We recognize that the increase in volume for the new Chinese automotive product is driven by the customer's strategy to bring new technologies to the market as quickly as possible. We do not expect any significant changes to the current forecast for future demand.

**Q4. Regarding the third quarter NRE revenue, significant growth was seen in "data center & networking" and "other" in application and in region, respectively. What types of business opportunities are generating more NRE revenue?**

A4. "Other" regions include Europe and Asia excluding China. However, NRE revenue fluctuates from quarter to quarter, depending on the progress of development. In the third quarter, we saw growth in "other" regions

and in "Data Center & Networking" sector. However, regarding the NRE revenue as a whole, we expect it to grow more mostly in the U.S. and in China.

**Q5. It was explained that demand for the new Chinese automotive product is expected to continue at the level seen in the latter half of this fiscal year into the next fiscal year. What factors do you see for this strong demand, even after the production ramp-up? Do the factors include plans to expand the number of vehicle models to use the product, as well as demand from non-automotive applications?**

A5. Regarding this new Chinese automotive product, the customer kept reevaluating the SoC's performance, during the stages from contract negotiation through mass production launch. This led to changes such as increases in the number of vehicle models and in the number of units per vehicle. As a result, demand at the mass production launch and thereafter significantly exceeded initial forecasts. We have not confirmed any further expansion of demand at this time.

**Q6. Regarding the status of new design wins in this fiscal year, the outlook at the previous second quarter briefing was that the second half would carry more weight towards reaching the target, which is at the same level as the previous fiscal year. Please tell us the current progress.**

A6. We disclose the design win amount each year at the fourth quarter/full-year financial results briefing. We aim to acquire design wins in a balanced manner, for Data Center & Networking, Automotive as well as other application markets.

**Q7. You have not revised the full-year forecast for this fiscal year. It means that based on the results through the third quarter, net sales in the fourth quarter are expected to decrease. I understand your assumption for the foreign exchange rate is 130 yen to the dollar in the fourth quarter. If we assume the current foreign exchange rate level continues, what would the sales be?**

A7. There are no changes to the full-year forecast for FY26/3, reported at the second quarter briefing in October last year. Impact of foreign exchange in each quarter fluctuates depending on the timing of foreign currency-denominated sales, purchases, inventory amounts, and R&D expenses. We do not disclose the actual values of foreign exchange sensitivity for every quarter, but on a yearly basis, our forecast in April last year was that appreciation or depreciation of 1 yen against the dollar would have impact of approximately 1 billion yen on net sales, and 300 million yen on operating income. That has not changed.

**Q8. In next fiscal year, I believe there will be production launch of leading-edge products, including the new 3nm product for data center & networking. How do you plan to prevent the yield issues you are currently experiencing with the Chinese automotive product from happening again?**

A8. For the new 3nm product, scheduled for mass production next fiscal year, we have already completed tape-out and the engineering samples (ES) will be soon delivered. During the evaluation of the samples, we will simultaneously conduct yield analysis and develop test programs to address defects, to ensure that we are fully prepared for the mass production.

**Q9. Certain components such as DRAM are in short supply now and this is affecting the production of some customers' end products. Is there any impact on your orders or sales?**

A9. We understand the status of procurement varies among customers. So far we have not seen any significant

impact to our sales. However, if this situation continues, it might impact our orders and sales. We will keep monitoring the situation closely by constantly checking the latest information from our customers.

**Q10. Sales for the Chinese telecommunications equipment products were concentrated in the second quarter, and it led to the decrease in the third quarter. Are the products expected to be discontinued in this fiscal year? Or is it expected to continue?**

A10. The demand for these products depends on infrastructure investment in base stations. So, the sales will depend on China's economic conditions and investment trends in the telecommunications sector. We have recorded a certain level of sales this fiscal year and it should continue in the next fiscal year and beyond. However, we believe the sales will gradually decrease.

**Q11. The leading-edge 3nm wafer process at the major foundry is operating at very tight condition and it is also reported that capacity for advanced packaging is insufficient against the demand. I do not think this has affected your business yet, as your current products are mainly using 7nm or 5nm. Are you securing enough production capacity from the foundries for your products scheduled to start mass production next fiscal year?**

A11. Regarding the leading-edge products such as 3nm technology, we are proactively communicating with the foundries to secure the necessary capacity.

**Q12. There was a discussion in the second quarter briefing, about the potential for the product that has already completed the tape out to be sold to other customers. Are there any ongoing negotiations at this point that you are feeling positive response?**

A12. The product is a CPU for data centers. Tape out was completed and now it is in the process of preparing engineering samples. If we can transition smoothly to the mass production stage, we believe there will be possibilities for this product to be sold to other companies. However, at this moment, we have not seen any concrete opportunities.

**Q13. Regarding NRE revenue, at the beginning of the fiscal year, the forecast was to remain flat or increase slightly compared to the previous year. Based on the results through the third quarter, should we expect sales to be concentrated in the fourth quarter? Or, is it that progress is slower than the initial forecast and NRE revenue is expected to be lower than the previous fiscal year?**

A13. NRE revenue fluctuates from quarter to quarter, depending on the progress of development. This fiscal year, we have several projects that are scheduled to complete tape out within the fourth quarter, and the quarterly NRE revenue is expected to be higher.

**Q14. In the next fiscal year, you plan to launch mass production for a new CPU for data centers. We believe that the demand for AI accelerator custom SoCs in data centers will also expand. Please tell us your approach to AI accelerator products.**

A14. Demand for custom SoCs for data centers continues to grow and we are acquiring design wins for projects not only for CPUs but also other products including AI accelerators and switches. We understand that a proven track record is very important in order to secure business opportunities from major data center customers. So, we plan to win small- and medium-sized projects, demonstrate our capabilities and accumulate

results, so that they will lead to opportunities with large-scale customers.

**Q15. In recent years, the semiconductor industry has seen so-called consolidation, with a trend towards actively building in-house capabilities, and M&A activities for that. Has there been any change to your position or strategy?**

A15. There are no major changes to our position or strategy. By nature of the custom SoC business, customers seek partners that are capable of addressing diverse requirements and challenges. Our core strength is our ability to provide "Entire Design" and "Complete Service". By leveraging such capabilities, we will expand our custom SoC business across a wide range of applications, including Data Center & Networking, Automotive, Smart Devices and Industrial equipment.