Consolidated Financial Results Briefing for the First Quarter of Fiscal Year Ending March 2027 (July 29, 2026)

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. Regarding the 1Q results, it was explained that approximately 10 billion yen in product revenue shifted to 2Q due to procedures associated with changes in the supply chain. What specifically was changed in the supply chain? Will the shifted revenue be recognized in 2Q? Is there any change in the demand outlook thereafter?

A1. The supply chain change refers to a partial revision of our production and shipment operations for certain automotive products, aimed at strengthening production capacity and optimizing the supply structure. Some product shipment shifted into 2Q, as certain procedures associated with the change took longer than initially expected. This shift is not directly related to any change in the level of customer demand for the full fiscal year.

Q2. Will there be any additional costs during this fiscal year as a result of this supply chain change?

A2. The change was made to improve production efficiency and optimize logistics, and no additional costs will be incurred.

Q3. R&D expenses increased significantly to 17.0 billion yen in 1Q. Was this increase because the sample production for new products scheduled to enter mass production in the second half of the fiscal year, and R&D expenses associated with advance development were concentrated in 1Q? How should we view the level of R&D expenses from 2Q and beyond?

A3. We have new products scheduled to enter mass production in the second half of the fiscal year, and production of evaluation samples for these products has increased. However, the costs of these samples are expected to be covered by NRE revenue, so NRE revenue is also expected to increase year on year in this fiscal year. We will also continue to make active investments in development for leading-edge fields. R&D expenses are expected to remain at the same level as in 1Q from 2Q onward.

Q4. You explained that the company will continue active investment in leading-edge fields. I believe you are also strengthening initiatives in chiplet technology and advanced packaging technology. Are these advance development investments made based on inquiries from specific customers or actual business projects? Or are they upfront developments aimed at acquiring new customers and business opportunities?

A4. Some of our advance development projects are necessary for our customers' product development. However, most are upfront investments in leading-edge technologies aimed at strengthening our *Entire Design* and *Complete Service* capabilities.

Q5. Regarding the operating margin, it was explained that there is a possibility of a slight decrease in the first half compared with the initial forecast due to the timing of NRE revenue. What factors could cause NRE revenue to be delayed?

A5. Regarding the timing of NRE revenue, this does not indicate any particular delay in development. Rather, because the amount of NRE per project has become larger recently, even a slight shift in the timing of tape-out could cause fluctuations.

Q6. Product gross margin in 1Q was approximately 35%, which was lower year on year. In this 1Q, although sales of automotive products with relatively low gross margins shifted to 2Q, the overall product gross margin remained at a low level. What were the factors behind the decrease in the overall product gross margin compared with 1Q of the previous fiscal year?

A6. Compared with 1Q of the previous fiscal year, the overall product gross margin decreased year on year due to factors including a lower proportion of products with relatively high product gross margins and an increase in reticle depreciation expenses associated with the increase in advanced technology products.

Q7. In the previous fiscal year, when new automotive product was launched for mass production, factors such as delays in cost improvements affected overall profit. This fiscal year, new products for automotive and data center are also scheduled to enter mass production from the second half. Will there be similar issues as in the previous fiscal year?

A7. When launching new products for mass production, it takes a certain period of time to improve yield. In addition, initial costs such as testing costs and other manufacturing costs are incurred, and their impact has been factored into this fiscal year's forecast. During the launch of new automotive product in the previous fiscal year, in addition to delays in cost improvements, the production volume increased beyond our assumptions, resulting in a greater-than-expected increase in the cost ratio. We are leveraging the experience and insights gained from these issues as we prepare for mass production in this fiscal year.

Q8. Regarding the data center CPU product scheduled to start mass production in the second half, has there been any significant change in the customer's recent demand forecast compared to the time of the design win? If the demand forecast increases substantially, will you be able to secure foundry capacity?

A8. We view demand for data center CPUs as solid and on an expanding trend. As for our customer demand, we also expect it to exceed our initial forecast. We are working together with the customer to secure foundry production capacity for the leading-edge process node.

Q9. Please provide updates on the new design wins in this current fiscal year. Are there any new opportunities for products to use leading-edge technologies such as 2nm process or advanced chiplet?

A9. We cannot provide specific details at this point regarding the progress of design wins in this fiscal year. However, we expect to receive many inquiries about products for data centers and peripheral applications.