Consolidated Financial Results Briefing for the Second Quarter of Fiscal Year Ending March 2027 (October 28, 2026)

Summary of Q&A

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Q1. The full-year forecast for this fiscal year has been revised upward from the forecast announced in April. However, considering the foreign exchange rate in the first half, the extent of the revision appears limited. Please explain any changes from the initial forecast announced in April.

A1. Assuming an exchange rate of 130 yen to the U.S. dollar throughout the year, net sales would be slightly below the April forecast. However, based on actual results for the first half, including the foreign exchange impact, net sales are expected to exceed the April forecast. Operating income is expected to be generally in line with the April forecast.

Regarding foreign exchange sensitivity, the April forecast assumed that a movement of 1 yen against the U.S. dollar would have a full-year impact of approximately 1.0 billion yen on net sales and approximately 250 million yen on operating income. However, as net sales are lower in the first half and higher in the second half this fiscal year, foreign exchange sensitivity in the first half was below the level assumed in April, while sensitivity in the second half is expected to exceed the April assumption.

Q2. Product sales increased significantly from the previous quarter, primarily due to automotive product shipments that shifted from 1Q to 2Q. As a result of the change in the overall product mix, the product cost ratio in 2Q deteriorated from the previous quarter. Has the cost ratio of the automotive product improved since the initial mass production ramp-up last year?

A2. Yield for the automotive product has improved and stabilized since the initial stage of mass production last year, and the cost ratio has been trending at the expected level. Although it remains higher than the overall average, we expect the cost ratio to improve gradually through further yield enhancement and quality improvement. This fiscal year, the product cost ratio will fluctuate on a quarterly basis due to changes in the product mix and the impact of new products entering mass production in the second half. On a full-year basis, however, we expect the product cost ratio to deteriorate slightly from the previous fiscal year, in line with the April forecast.

Q3. Regarding the automotive product whose sales shifted from 1Q to 2Q, quarterly sales fluctuated significantly in the first half. What is your demand outlook for the second half?

A3. At the beginning of the fiscal year, we expected sales of the automotive product to increase significantly year on year. At present, however, we expect full-year sales to be at approximately the same level as, or slightly above, the previous fiscal year. This may reflect trends in automotive demand in China and other markets. Meanwhile, demand for several products other than this automotive product has exceeded our expectations. Overall demand is very strong, but supply constraints remain, and we are working to secure the necessary capacity.

Q4. Demand for the new data center product scheduled to enter mass production in the second half appears to have increased significantly since the design win. At the same time, foundry capacity is extremely tight and supply is constrained. How is the company addressing this situation?

A4. Customer demand for the new data center product has increased significantly from the initial forecast. Its contribution will be limited this fiscal year because mass production is scheduled to begin in 4Q, but demand is expected to expand substantially from the next fiscal year through the following fiscal year. In addition, demand for projects other than this new data center product is also trending above expectations. As a result, net sales for the next fiscal year could exceed the outlook presented in April, as sales from both existing and upcoming new

mass-production products may surpass our assumptions.

At the same time, we recognize that supply capacity at foundries and other suppliers, particularly for leading-edge products, is becoming increasingly tight. We are working closely with our foundry partners to secure the necessary capacity, taking into account customers' latest demand forecasts and the possibility of further upside. We are also strengthening cooperation with OSAT partners for back-end processes. Our current outlook incorporates a certain degree of risk, considering both demand growth and supply constraints. However, supply and demand remain tight across the supply chain, including wafers, substrates, and OSAT capacity, and we will continue to monitor the situation closely.

Q5. Looking at product sales in 2Q, sales for Industrial applications increased. What drove this growth, and do you expect the trend to continue in the second half?

A5. In the Industrial sector, solid demand has continued, particularly for measurement equipment, supported in part by strong semiconductor demand. We expect demand to remain solid in the second half and anticipate that this trend will continue into the next fiscal year. Inventory adjustments in the Industrial sector appear to have taken longer, but inventories have now largely normalized, and we expect solid demand aligned with actual end demand to continue.

Q6. Capex increased significantly in 2Q, which you explained was due to investments in reticles and IP for leading-edge process products. Are these investments related to the new data center product scheduled to enter mass production in the second half, or to new products scheduled to enter mass production from the next fiscal year?

A6. We have multiple projects scheduled for tape-out or mass production launch this fiscal year. As these include leading-edge process products, including 3nm products, investment in reticles in particular has increased significantly. Capex this fiscal year is trending at a higher level than in a typical year.

Q7. Half of the fiscal year has passed. What is the current progress toward new design wins for this fiscal year?

A7. We cannot provide specific details at this time, but we continue to aim for the target stated at the beginning of the fiscal year: to secure design wins at least at the same level as the 310.0 billion yen achieved in the previous fiscal year, and preferably around the 360.0 billion yen achieved two fiscal years ago. In AI data centers, demand is becoming increasingly active not only for processors but also for switches, memory interfaces, and other products, and we aim to secure design wins in this field during the current fiscal year. In Automotive, we have not secured a large-scale design win in the past several years and are currently between major project cycles. However, customers with products currently in mass production or scheduled to enter mass production this fiscal year have begun considering their next-generation products. In addition, some OEMs that had previously been viewed as slow to adopt proprietary SoCs appear to be showing initial signs of doing so. We intend to leverage our track record to win business opportunities globally.

Q8. Taiwanese design houses appear to be winning business under the COT (Customer Owned Tooling) model. For a company such as yours, which provides integrated support from design through manufacturing, does this model make it difficult to leverage your strengths? Do you expect this type of business model to become more prevalent?

A8. We do not believe it is necessary to exclude or reject business models such as COT. Projects that allow us to participate in the businesses of leading industry customers or gain exposure to leading-edge technologies can be meaningful. However, because the COT model limits the range of technology areas in which we can participate, we intend to grow by focusing on business opportunities that allow us to leverage our distinctive Entire Design Capability.

Q9. Based on the net sales growth target in the Medium-Term Targets, net sales are expected to reach approximately 300.0 billion yen in the fiscal year ending March 2029. To achieve a sales mix of 100.0 billion yen each from Data Center & Networking, Automotive, and other applications at that time, sales in Data Center & Networking would need to double from the previous fiscal year. Do you already have a clear path toward that level?

A9. Over the medium term, we believe an ideal portfolio would consist of approximately one-third of net sales from each of Data Center & Networking, Automotive, and other applications. In the short term, we expect the share of Data Center & Networking sales to increase relatively due in part to the data center product scheduled to enter mass production in the second half of this fiscal year. We intend to build a stable portfolio by establishing a solid base in Data Center & Networking. To achieve this, we plan to secure multiple medium-scale projects, such as switch products scheduled to enter mass production in the next fiscal year, in addition to large-scale projects.