

May 9, 2024

## FY2023 Year-End Presentation Q&A

No.1	Q.	What is the background behind the revision of SiC's FY2025 sales forecast from ¥130 billion to ¥110 billion and FY2027 sales forecast from ¥270 billion to ¥220 billion?
	A.	The revision was made due to a delay in the start-up of the SiC module business and a decline in demand for industrial equipment such as solar. We also factored in earlier-than-expected price competition with competitors. There is no major change in the sales volume forecast.
No.2	Q.	Any update on the profitability of the SiC business following the above revisions?
	A.	Due in part to accelerated investment in the Miyazaki Plant No.2, the timing of return to profitability has been revised from FY2025 to FY2026. We aim for an operating margin of 25% in FY2027-2030.
No.3	Q.	What additional actions are being taken to ensure profitability in response to the revision of SiC sales?
	A.	The company will cover this by downsizing devices through the development of 5th and 6th generation MOSFETs and by launching 8-inch lines.
No.4	Q.	Are there price competition with Chinese competitors in SiC?
	A.	This is happening with a different competitor than the Chinese. For wafers, there is a certain degree of impact from Chinese companies.
No.5	Q.	How much can cost-effectiveness be improved by changing the SiC production line from 6-inch to 8-inch?
	A.	Cost improvement of about 20-30% per area is expected compared to 6-inch.
No.6	Q.	Has the number of design-wins for SiC increased compared to 6 months ago?
	A.	Although the amount per project is expected to fall for existing projects for industrial equipment such as solar, design-win projects for automotive powertrains have been newly added.
No.7	Q.	When do you expect CAPEX and depreciation to peak for SiC in a single year?
	A.	CAPEX will peak in FY2025. Absolute amount of depreciation will increase until FY2026-2027, but will peak in FY2025 in terms of ratio to sales.
No.8	Q.	Why will sales for industrial and consumer continue to decline in FY2024?
	A.	We would like to increase industrial and consumer, but taking into account the inventory situation of our customers and the market environment, we have made a severe estimation.
No.9	Q.	Will non-automotive markets recover after FY2025?
	A.	Industrial, consumer, and C&S are all estimated to recover from 1H FY2025.
No.10	Q.	What is the outlook for capacity utilization in FY2024?
	A.	Both ICs and discretets will be low in 1H, but is expected to recover in 2H.
No.11	Q.	The ¥36.8 billion increase in fixed costs is one factor behind the YoY decline in operating profit in FY2024. Is this increase a one-time event or will it continue at this level in the future?
	A.	Of the ¥36.8 billion, ¥35.0 billion is related to SiC and is influenced by line start-ups at the Miyazaki Plant No.2 and Chikugo Plant.

No.12	<p>Q. R&amp;D expenses for FY2024 are planned to increase by ¥10.9 billion YoY. Will they remain at this level in the future?</p> <p>A. The breakdown of the increase is mostly SiC, but it is expected to peak in FY2024 and decline thereafter.</p>
No.13	<p>Q. Regarding Toshiba's business alliance, you commented that you will start discussions in June and hoped to find a direction by the end of the year. Is there any possibility that the timeline could be accelerated?</p> <p>A. We believe that we can generate various synergies with Toshiba and would like to disclose decisions as soon as possible, but at present there is nothing we can comment on beyond the contents of the presentation materials. There are no items that have been incorporated into the earnings forecast.</p>