

Q&A of fiscal year 2023 Annual General Meeting of Shareholders

Q. About the impact of US export restrictions on China on TEL's business performance
A. In short, the impact will be minor. TEL will respond in accordance with the guidelines given by the Japanese government. Our customers are also reconsidering their strategies based on the regulations. In addition, the importance of semiconductors is growing, and there will always be investment somewhere to meet the demand for semiconductors necessary for the data society. It is important for us to continue to be a world leader in terms of our capacity for technological innovation.
Q. About trends in the semiconductor industry in Japan and their impact on TEL
A. This is proof that the importance of semiconductors is growing from all perspectives, such as the progress of digitalization and decarbonization. For us, these are business opportunities. However, TEL is a global manufacturer. As in the past, we would like to respond in a fair manner based on inquiries.
Q. About the expanding market in India
A. We consider India as a potential market. Our strategy is to continue to be a world leader in terms of our capacity for technological innovation. As semiconductors are constantly evolving, our cutting-edge technologies ensure that we will receive inquiries when necessary. It is important for us to continue to be a world leader in terms of our capacity for technological innovation.
Q. About future evolution of the level of miniaturization
A. We have created a technology roadmap regarding miniaturization for about 10 years together with our customers. In logic semiconductors, we expect the semiconductors will gradually progress from the current 5 nanometers to 0.7 nanometers. In memory semiconductors, the development of layering technologies has begun, and NAND layering technology is already on the market. As miniaturization and integration are progressing from many directions, we believe that technological innovation of semiconductors will not stop. We believe that the more advanced our technologies get, the more valuable TEL will become.
Q. About the outlook for the semiconductor market based on the impact of generative AIs such as ChatGPT
A. We have already started receiving inquiries related to generative AIs, such as ChatGPT, and are expecting full-scale deployment from next year. The semiconductor market is currently at its bottom. We believe the market will gradually improve going forward and will grow significantly in 2024 and 2025.
Q. About the handling of forward exchange contracts amid sudden exchange rate fluctuations
A. Our transactions with customers are generally made in yen, so there is little impact from the recent exchange rate fluctuations. For transactions with overseas subsidiaries that are made in foreign currencies, the fluctuations are hedged using forward exchange contracts on a monthly basis.

Q. About trends in the market share of key products

A. We believe that we can definitely increase our market share by achieving our Medium-term Management Plan. The Medium-term Management Plan is only a midway target, and our ultimate goal is to acquire the top market share in each segment. We are also developing and working on strategies aimed at becoming the top in terms of market share among the industry-leading device manufacturer customers with whom we partner.

Q. About the status of human resources acquisition and education

A. Acquiring human resources is very important to TEL's growth. The number of new graduate recruits has tripled over the past three years thanks to improvements in TEL's performance and awareness of semiconductors, and we have been able to attract excellent human resources. Also, from the perspective of DX, we are focusing on both recruitment and education as we strengthen digital engineers to actively utilize digital technologies.

In terms of employee education, in addition to exchanges with senior employees, we are also working on deepening our employees' understanding of the corporate culture and values that TEL values through communication with the president and management.

Furthermore, the turnover rate in our domestic manufacturing companies, which are TEL's production centers, is around 1%. We believe that this low turnover rate, is linked to the strong trust we receive from global customers, including trust from the perspective of information security.

Q. About high profitability

A. High profitability lets us provide shareholder returns based on a payout ratio of 50% and continue to invest in growth. For this reason, we believe that profit growth through global competitiveness is important, as is providing returns to stakeholders based on the added value derived from that competitiveness. We will continue to pursue world-class profits.

Q. About the change to transactions in US dollars amid the weakening of yen

A. As technological innovation in semiconductors is rapid and new models can be introduced continuously, we should aim to optimize prices while avoiding the impact of foreign exchange rates. Approximately 90% of TEL's materials are procured within Japan, and we are manufacturing in a cost-competitive environment. Products with high added value can be sold at prices equal to or higher than competitors' even if converted to foreign currencies. On the other hand, we do not consider a weak yen to be a disadvantage in the fields where we intend to grow our market share.

Q. About TEL's base planning in association with Rapidus Corporation's expansion into Chitose

A. TEL already has a software development base in Sapporo called TEL Digital Design Square. When Rapidus Corporation's factory is built in the future, we will need to establish bases nearby to provide prompt service and support based on inquiries.