PREPARED REMARKS

Jessie Wang, IR Deputy Director

Good afternoon, everyone. Joining us today are Dr. Rick Tsai, MediaTek CEO and Mr. David Ku, MediaTek CFO. Mr. Ku will report our third quarter results and then Dr. Tsai will provide our prepared remarks. After that, we will open for Q&A.

As a reminder: Today’s presentation will provide forward looking statements based on our current expectations. The statements are subject to various risks and factors which may cause actual results to be materially different from the statements. The presentation materials supplement Non-TIFRS financial measures. Earnings distribution will be made in accordance with financial statements based on TIFRS. For details, please refer to the safe harbor statement in our presentation slides.

In addition, all contents provided in this teleconference are for your reference only, not intended for investment advice. Neither MediaTek nor any of independent providers is responsible for any actions taken in reliance on contents provided in today’s call.

Now I would like to turn the call to our CFO, Mr. David Ku, for the third quarter financial results.

David Ku, Chief Financial Officer

Good afternoon, everyone. Now let’s start with the 2023 third quarter financial results. The currency used here is NT dollar. Revenue for the quarter was NT$110.1 billion dollars, up 12.2% sequentially, and down 22.6% year-over-year.

Gross margin for the quarter was 47.4%, down 0.1 percentage point from the previous quarter, and 1.9 percentage points year-over-year.

Operating expenses for the quarter were NT$34.2 billion dollars, compared with NT$31.9 billion dollars in the previous quarter and NT$37 billion dollars in the year-ago quarter.

Operating income for the quarter was NT$17.9 billion dollars, up 21.7% sequentially and down 45.7% year over year. Non-TIFRS operating income for the quarter was NT$18.6 billion dollars.

Operating margin for the quarter was 16.3%, up 1.3 percentage points in the previous quarter and down 7 percentage points year-over-year. Non-TIFRS operating margin for the quarter was 16.9%.

Net income for the quarter was NT$18.6 billion, up 15.9% sequentially and down 40.3% year-over-year. Non-TIFRS net income for the quarter was NT$19.1 billion dollars.
Net profit margin for the quarter was 16.9%, increased 0.6 percentage points from the previous quarter and decreased 5 percentage points year-over-year. Non-TIFRS net profit margin for the quarter was 17.4%.

EPS for the quarter was NT$11.64 dollars, up from NT$10.07 dollars in the previous quarter and down from NT$19.54 dollars in the year-ago quarter. Non-TIFRS EPS for the quarter was NT$11.97 dollars.

A reconciliation table for our TIFRS and Non-TIFRS financial measures is attached in our press release for your information.

That concludes my comments. Thank you.

Jessie Wang, IR Deputy Director

Thank you, David. And now I would like to turn the call to our CEO, Dr. Rick Tsai for prepared remarks.

Dr. Rick Tsai, Chief Executive Officer

Good afternoon, everyone.

MediaTek's third quarter revenue slightly exceeded the high end of our guidance, mainly due to an improving business environment and a more favorable foreign exchange rate. Third quarter gross margin was in line with our guidance.

In the last few months, we've observed improvements on overall channel inventories, particularly with respect to smartphones. With prudent inventory management, we have reduced our inventory for five consecutive quarters. And at the end of the third quarter, our days of inventory has reached to a healthy level of 90 days. We expect the overall inventory environment to continue to improve in the coming quarters.

For the future, the increasing computing capabilities, the proliferation of edge AI, and the higher adoption of semiconductor content for automotive, will provide strong growth opportunities for MediaTek. For AI, we believe the increasing demand for cloud AI will create a complementary demand for edge AI, and, the more edge AI, the better cloud AI. Today, MediaTek is one of the very few edge AI providers that have the capability to incorporate edge AI into SoCs to support a wide range of devices across many major applications. For automotive, MediaTek also offers a full range of solutions together with NVIDIA to serve global customers in areas such as smart cabin, connectivity, and auto drive.

We will continue to enhance our capabilities by investing in key technologies such as advanced computing, next generation wireless and wired connectivity, high-speed data transmission, and edge AI so that we are better prepared to capture the growing market opportunities.

In addition, we recently announced our first 3nm tape-out at TSMC for our flagship Dimensity SoC shipping in the second half of 2024. This represents an important step for us as we expand our product
portfolio to the higher end segments in automotive, computing, and enterprise ASIC. We believe, with our ever-increasing capabilities and strong execution in R&D, we are able to create strategic value to our global customers and pave the way for future growth.

With that, now let me talk about the recent business performance of our three revenue groups.

Mobile Phone accounted for 49% of total revenue in the third quarter and grew 19% quarter-over-quarter. The sequential growth was mainly due to inventory restocking and new model launches for both 4G and 5G.

With the industry-leading 4G and 5G SoC portfolio across segments, MediaTek offers best-in-class product quality to support our customers, strengthened by the strong partnership with a leading foundry. We believe we will continue to benefit from 5G upgrades, while effectively catering to the sizable and long tail 4G market.

For the fourth quarter, we expect Mobile Phone revenue to grow faster than the third quarter, mainly driven by the shipment of our new flagship SoC, Dimensity 9300, which will be unveiled in early November. Dimensity 9300 further elevates CPU and GPU performance and equips with a powerful APU, AI processing unit, which is optimized to run large language models for Generative AI. For example, we have recently demonstrated the industry-leading capability to run 7-billion parameter large language models on smartphone powered by Dimensity 9300. We expect smartphones powered by Dimensity 9300 to hit the market by the end of this year.

We also plan to expand Generative AI capabilities to more smartphone segments next year. We are confident that our strong APU support will facilitate the industry in developing increasingly useful Generative AI features for end users. And the rising trend of adopting more powerful APUs will not only stimulate smartphone replacement demand but also enhance our product mix.

Now let me move on to Smart Edge Platforms, this group grew 6% sequentially in the third quarter and accounted for 44% of revenue.

In the third quarter, demand for our wireless and wired connectivity improved sequentially with WiFi 6 shipment reaching a quarterly record. Meanwhile, our WiFi 7 solutions have been adopted by high-end retail routers, premium notebooks and broadband devices this year with more to come in 2024.

However, for the fourth quarter, due to seasonality and a cautious overall consumer electronics market outlook, we expect Smart Edge Platforms revenue to decline sequentially. That being said, we have been gaining share in several major operators globally. MediaTek’s rich wireless and wired connectivity product portfolio has brought strong value propositions to these global operators.

Now moving on to Power IC, which accounted for 7% of total revenue in the third quarter and grew 11% quarter-over-quarter. Among all applications, PMIC for smartphone and PC performed better in the third quarter due to restocking demand. We expect Power IC revenue to be flattish in the fourth quarter.
For the fourth quarter, we expect the strength in our Mobile Phone to be more than offset the seasonal decline of Smart Edge Platforms. We will continue to execute our strategy of balancing among market share, revenue, and profitability.

With that, we expect our fourth quarter revenue to be in the range of NT$120 billion dollars to NT$126.6 billion dollars, up 9% to 15% sequentially, and up 11% to 17% year-over-year at a forecasted exchange rate of 32 NT dollars to 1 US dollar. Gross margin is forecasted at 47%, plus or minus 1.5 percentage points. Quarterly operating expense ratio to be at 30%, plus or minus 2 percentage points.

Lastly, in the AGM held on May 31st, our shareholders approved a proposal to change our earnings distribution from an annual basis to a semi-annual basis. In accordance with this resolution, our Board has approved our first semi-annual cash dividend payment of NT$24.6 today. The amount consists of NT$16.6 of regular cash dividend and NT$8 of special cash dividend. The payment date is expected to be Jan 31st, 2024.

This concludes my prepared comments, thank you.

[Q&A]

Q - Gokul Hariharan, JPMorgan
Congratulations on the good result. Pretty strong recovery in mobile. So, just wanted to ask, how do you think about the market potential going into next year? Given that we've seen a pretty good restocking recently? Do we see that the momentum is likely to continue?

And I think China market especially has been fairly disappointing until very recently. Recently, I think there seems to be a little bit of a turnaround. How do we expect China market to be shaping up next year? And any thoughts on continued 5G penetration also this year? I think the 5G adoption seems to be a little bit slower compared to the last few years.

And within the China market, maybe. Any comment on what you're seeing, given this rising market share that Huawei seems to be cornering, especially in the last several months with their in-house 5G solutions?

A – David Ku, CFO
First of all, for 2024, I think we still have some time to observe the overall market dynamic. But based on what we see here, we do believe 2024, overall speaking, should be a year of growth for MediaTek, that's first thing first.

Talking about the market penetration of 5G, or in general, maybe we talk about the sell-out -- on the end market demand for next year, again, that's similar to our earlier comment about 2024, we do believe next year for the overall smartphone shipment globally, from the end market demand perspective, should be a year of growth, maybe in the low single digit, but at least from the trend should be favorable.

The last question you talked about Huawei. I guess from our perspective, in general, it's our policy we don't really comment about a specific company. But on the other hand, overall, I guess we pretty much focus on the execution and deliverable. Like our CEO talked about earlier, we're going to announce our third-generation
flagship. We do believe along the year and also we will continue that momentum -- we will continue to put out the good technology and the great product, and also leveraging whatever process technology we have. And we do believe as long as we can focus on that, plus we will continue to invest aggressively for new growth opportunities, that will be our overall strategy.

**Q - Gokul Hariharan, JPMorgan**

David, just to follow up on this, on the 5G adoption for next year, do you expect a meaningful pickup given you just launch your lower cost 5G solution as well? I think we have been kind of stagnating around early to mid-50% for a few quarters now. Are you seeing a meaningful step up in terms of 5G adoption next year?

**A – David Ku, CFO**

Yeah, I think the overall 5G adoption or penetration will definitely increase next year. Again, based on what we see right now, the number may be changing in the next quarter, but overall, we should be looking for 5G global shipment year over year, double digit growth next year -- the end market demand.

**Q - Gokul Hariharan, JPMorgan**

My second question is more broadly and longer term in terms of the MediaTek strategy of entering new markets. I think you've talked about automotive, there is some progress in enterprise ASIC, and there's also a lot of interest in arm computing, especially for Windows based PCs.

My observation has been typically MediaTek has made meaningful profits in markets where it has emerged as the top two or a top three player like mobile SoC, TV, WiFi, et cetera. In these markets, here are already very strong incumbents right now. So just want to understand, how do you prioritize investments in these markets?

Is there any rank order in terms of which markets you think are more promising, from a potential market share perspective and profitability perspective. So just wanted to understand what is the strategy to kind of try and break into these markets which have -- pretty much all of them have pretty strong incumbents right now. And MediaTek is still starting -- still at a pretty early level in terms of the starting point. So just wanted to understand the longer-term strategy rather than the more nitty gritty details.

**A - Dr. Rick Tsai, CEO**

Yes, you're quite right in saying that MediaTek has been many companies which we have done really well in mobile SoCs, in TVs, in WiFi, et cetera. And we certainly will continue to invest in appropriately for those very successful segments we already have. And as we also said, we are now investing aggressively in new markets such as automotive, such as AI, either edge AI or cloud AI, such as computing -- ARM computing. You're also certainly correct in saying there are strong incumbents in those areas.

I think from a fundamental point of view of MediaTek -- actually, if you look at MediaTek’s investment over the last three years, which we put in for the flagship mobile SoCs, we now have the third-generation Dimensity 9300 -- if you look at the computing capability from that chip in their CPU, in their GPU and in their APU computing capability, we are very proud and we are very confident in our capability that we build.

And all those capabilities are now of course being leveraged -- not just leveraged -- really being applied to our new growth initiatives. Not to mention the capability and the relationship we have built with our leading foundry partner in utilizing the most advanced process technology and advanced packaging technology. These are all the very necessary, necessary conditions for the market segments that we want to go in.
And we have, for instance in the automotive case, we have already built partnership with Nvidia which by itself is a strong incumbent with extremely strong capabilities both hardware/software AI.

So, you see we're doing this -- we're going in understanding the difficulties but we're also not only accumulating, but we're building -- already building to our capability and we're building strong ecosystem partnership. And in addition, we are a more -- we believe -- versatile and flexible business model partner for some large -- shall we say tech companies. With all that, we understand the challenges, but we are quite confident that we are making headways, in some cases fairly soon, in some cases will take some time, but we will get there. Thank you.

Q - Gokul Hariharan, JPMorgan
Maybe one follow-up, if I may. Like how -- what is your measure of success or KPI in some of these new ventures? Is it like getting to a billion-dollar revenue or like 10% of revenue? Or just wanted to understand how the management thinks about the KPIs on some of these new initiatives.

A - Dr. Rick Tsai, CEO
I think, in general, profitable growth, we need -- I would say major KPI is pretty high CAGR -- pretty high CAGR for revenue, but with good profitability. The profitability must be there, but it may not be as strong as some of our very competitive existing product line. But we will not -- on the other hand -- what I want to say is we will not just pursue revenue with very low probability, so a high CAGR of profitable revenue growth that's our KPI in the next three years to five years.

Q – Nicolas Baratte, Macquarie
When we think about next year, since you're mentioning better phone demand, low inventory for smartphone and some growth coming back in both 4G and 5G, do you have a view, an estimate, the range of the 4G to 5G mix for 2024?

A – David Ku, CFO
Nicholas, I think we don't have the detailed view yet. Again, we still got a few more months to get into the 2024, but in general, I think the mix in terms of 4G versus 5G, our view is actually 5G will continue -- for our own shipment perspective -- 5G probably will increase and 4G will decline in terms of shipment compared to this year, 2024 versus 2023. Because 5G again next year, our view is the overall market still grow double digit, 4G probably will be flatish to slightly down from the market demand perspective. And by the way, that's actually -- due to 4G/5G upgrading cycle, in general, it's a good situation or migration from our business perspective.

Q - Sunny Lin, UBS
Congrats again on the very solid performance and also pretty good Q4 guidance. So, my first question is on edge computing for smartphone. And so, based on your current engagement with the supply chain, including the hyperscalers and also the software developers, what kind of the applications could smartphone better support versus cloud? I think that's a key question that a lot of investors wonder.

And also when we think about the upside for your silicon content for smartphone SoC with better support for edge computing, now that you have completed the development for 3-nanometer smartphone SoC for second half of next year, how should we think about the upside from here?

A - Dr. Rick Tsai, CEO
Sunny, generative AI capability in an edge device, the way we look at it is a must capability we need to have in our offering. As I said earlier in my comments, we have already demonstrated with our customer -- in a
customer’s phone of having a 7 billion parameters LLM model, which our customer is developing various applications for their end customers.

I think, some of the usual applications that you can imagine or you can think of, obviously, for instance, the natural language, user interfaces, the camera, picture improvements, et cetera, et cetera. These are obvious ones -- but not obvious ones, of course, not obvious right now. I'm not joking. But I think, we believe with the building capability in those high-end edge devices such as our Dimensity 9300, the users worldwide will then explore the capability and come up with applications that will excite -- that will be very exciting, very interesting and very fun. It's not just useful. But that would take, I believe, a year or a couple of years to establish. Just like you will see, for instance, when the 4G LTE technology and capability ramped up about a decade -- yeah, about a decade ago. People after a few -- a couple or three years, some people came up with all kinds of applications and built many profitable business models.

So, seeing all that, we -- at this time, we are investing heavily in building those capability in, I believe, not just mobile phone, mobile phone being the first obvious ones, but all the different, various kinds of edge devices. This is the time that we believe that will create new demand, the extent of which we will -- you know, I think will take a couple of years to really realize. One thing we know is if we do not invest, we will be left out. And we will not be left out. Thank you.

**Q - Sunny Lin, UBS**
Thank you very much. So a quick follow-up is, how should we think about the silicon content upside for smartphone SoCs from here? And so, if you look at your 3-nanometer smartphone SoC coming out in second half of next year, would that be able to drive any ASP increase versus this year's?

**A – David Ku, CFO**
Sunny, actually, like our CEO explained, right now, it's in the beginning of the product cycle, so they will have some support. But I think more importantly is actually looking at, probably due to the new features and function, you know, customer will like to buy the new phone, so will shorten the replacement cycle. I think that’s the cycle -- the beginning of the cycle. Then people demanding from higher performance, then we’ll put into more semiconductor content. Right now, actually it’s the overall semiconductor content, especially for the current product we’ve talked about here has been basically pricing in already. But for the trend, we do believe we'll continue to demanding for more computation power for AI-related.

**Q - Sunny Lin, UBS**
Got it. Thank you. That's very clear. My second question is on your collaboration with NVIDIA. And so, any latest progress that you could share with us in terms of the product pipeline? I think three months ago, you shared you have already secured about 1 billion pipeline for your automotive business. Any update there? And also for this collaboration, any potential to expand to other product segments like ARM-based computing?

**A – David Ku, CFO**
First of all, our partnership with NVIDIA is only with automotive. I understand right now, there are some rumor or speculation talking about that partnership could be extended to other areas. But I just want to clarify right now, the partnership between NVIDIA and MediaTek is only on automotive. And that's actually the same statement we made basically a few months back during our announcement back to Computex in Taiwan around June.
In terms of design pipeline and also product pipeline, it's actually the same like we updated everyone during the Computex period. The only difference will be -- because in the last few months, both companies being getting on a world tour, talking to different customers and formally disclosed our product portfolio for the next few years. The overall feedback are fairly positive, fairly positive. So there's a lot of activity going on. We're probably not going to updating the pipeline yet, but I probably just say the overall momentum and also customer feedback are all positive and give us much more confidence compared to three months ago.

Q – Laura Chen, Citi
Hello. Hi, good afternoon. Thank you for taking my questions. I'm curious about the MediaTek's current progress in the high-end segmentation in terms of the market share or the current revenue contribution or the shipment, et cetera. Because we know that it's actually quite important, actually MediaTek got very good progress on Dimensity 9000 and also 8000 series since management already talked a lot about how the performance goodness and also how the benefit can deliver to your customers.

So, just wondering that in particular for the flagship SoC, what kind of the contribution or market share or the shipment you are now right now, and also what the growth potential or the target you may have? Can you share with us?

A – David Ku, CFO
I think in terms of revenue contribution, I think for this year, 2023 is sizable. I would say in the range of a billion dollars. So, it's progressing well. And actually -- that's actually in line with our earlier guidance. For -- going forward, again, with our third-generation product, by the way, we are going to do a formal product announcement in November 6th with a lot of demos which including the earlier questions -- many people are interested about the GAI, we're going to do a lot of demo, and we're going to show our performance leadership. With third generation Dimensity 9300 product coming out, we do believe next year will be another strong growth year for our flagship product.

Q – Laura Chen, Citi
So if you're assuming that for the global 5G smartphone to be growth double-digit year-on-year, so since the ASP is much higher for your flagship SoC and also your market share gain, so supposedly that will be even stronger than what you look at the overall market. Is that correct?

A – David Ku, CFO
I think, again, we're not able to give out the detailed -- 2024 detailed guidance, but trend wise, direction wise, I think that's the direction.

Q – Laura Chen, Citi
Okay, thank you. And also on the edge AI space, we know that MediaTek has done very well in the edge AI potential in the smartphone space. So just also curious about your view about what can we see the trigger of Windows on ARM overall market. Because we are talking about in the industry for probably more than a decade, but seems like the portion of Windows on ARM still quite small at this moment.
But looking forward, what kind of the trigger you may looking for to see this market becoming bigger and MediaTek is already well-positioned in terms of a different kind of technology. So, at earliest, any timeline you are looking for it can be becoming bigger?

**A - Dr. Rick Tsai, CEO**

This market, depending on how you look at it, actually the MacBook processor is the ARM-based CPU. In our view of the industry -- this is purely from industry trend point of view, this trend will certainly continue and grow. There’s no doubt in our mind from industry trend point of view. And we expect players to go in also. Thank you.

**Q - Brett Simpson, Arete Research**

Yeah, thanks very much. Rick, can you maybe just share your perspective on the impact of Huawei's chip ramp-up on your TAM specifically in China Android? I mean, it looks like they are coming up with multiple chips and they're going to address the mid-range fairly soon and there's been a lot of commentary about the ramp-up that we're going to see from Huawei next year. Can you just talk a bit about how you think this is going to impact overall the China Android market and your business specifically and whether or not this leads to, you know, a structural challenge from Huawei? Thank you.

**A - Dr. Rick Tsai, CEO**

I understand the question, Brett. The way I will respond to your question is, I mean, we have been in this smartphone market for long enough to know how the dynamics play. And one simple – well, not simple, but one obvious data point was when I guess sometime in 2019, Huawei kind of, not totally, exited but yeah, certainly exited 5G smartphone market. The market share change which company or which device benefits the most, yeah, you know that. And then, you can kind of imagine when Huawei comes back at certain price points, they will take certain shares back.

As to our customer TAM, in my mind, we are very good, very strong with our portfolio from flagship, premium, mid-range, to entry. If you look at our product portfolio and their capability, their performance, their power consumption, the use of the leading-edge process, user experiences, we have no question in our mind that we are enabling our customers to compete effectively against whoever coming into the market because we have great products.

At the end of the day, emotion can work for some time but I would expect rational consumer behavior will prevail fairly soon. Thank you.

**Q - Brett Simpson, Arete Research**

Yeah. Appreciate that, Rick. And maybe just to follow on, you've talked a lot about Gen AI coming to smartphones. And I think you've mentioned the ability for the 9300 to deliver a 7 billion, run a 7 billion model on board of smartphone. But can you maybe talk a bit about what this means commercially, the content step up that this leads to for MediaTek? You know, what would that type of capability be? You know, how do you sort of benefit from a value perspective delivering this capability?

And then when do you think the AI ecosystem is ready to drive applications for Gen AI on smartphones? Because I think that seems to be the big unknown at this point. Thanks.

**A - Dr. Rick Tsai, CEO**
Actually, David can probably give you a bit of details, but what I want to say first is, as I said earlier, this is the beginning of, I don't know, an era maybe too much of an overstatement, but people are really working to find the values. The values I think not just because of not just the productivity values, even more important probably consumer values because that's where the volume will be. And our customers, they realize that. And for the smartphone, most of our market, especially our flagship market relied in China, and Chinese -- I believe Chinese consumers are quite -- can be very innovative in coming up with applications.

But David, do you have any more -- kind of a detailed thing for Brett?

A – David Ku, CFO
Yes, Brett. We do, but unfortunately like I say, some of our customers we have NDA, they're going to do some demo on November 6th, so probably just stay tight and also dial-in our event to get more information. But I can probably just share without the detail is, the general idea is actually right now most of the Gen AI have been demo on the edge side, probably show some not so great resolution, stable diffusion, picture generation.

But I think, on the China side, especially for a lot of our customers, they've been pretty much focused on the large language model application. So the general idea is actually consider, if the Gen AI can become your truly personal assistant on your phone, okay, on -- actually on the edge side. So, you know, you have a personal assistant who can read all your information on your phone because that's on your palm, not going to cloud. So you have the 100% trust and confidentiality and privacy. And if you have a small AI agent on your phone, what you can do with this phone. I think that's the general idea. Another idea that of course on the picture side right now, on the taking pictures, on the camera side, a lot of the new function being deployed based on generative AI. In the past, maybe just simple beautify, but now actually you can consider, you can do some kind of a Photoshop function with a very simple natural language instruction, a few touch and being up there on your phone. Again, because that's your picture, that's your phone, you don't want to send your picture into a cloud and you don't know who will have access to cloud, but you can do some editing, you know, beautifying or maybe modify on your phone. I think that's the direction.

Again, like Rick said, that's just the beginning of the cycle. It's really just a chicken and egg issue. Once you have a more computation power on your palm, on a smartphone, then you will see more developer and our customer in this case as well, trying to use less computation power to generate more user-friendly and interesting features to help them to sell more phone or shorten the replacement cycle of the smartphone.

Q – Bruce Lu, Goldman Sachs
Hi, thank you for taking my question. I want to know that, what if AI smartphone is widely adopted by the consumer, how fast can you render that? I mean that, what is the incremental barrier for you to proliferate the AI function to Dimensity 8000 even to a 1000 series? What's the tech requirement? Is that incremental cost or process speed or anything like that? You know, how fast it's going to be if you want to further proliferation?

A – David Ku, CFO
Bruce, currently, actually, the edge AI has been performing part of our APU function, which is part of our application processor. So in terms of the cost incremental, I think it's actually all been pricing in and we don't see it's a huge cost increase so far based on the current AI demand or generative AI demand.

But going forward, again, depends on what kind of applications or how soon those applications will be adopted, and then we will talk about what's the right semiconductor content people put in. But so far based on what we see in the marketplace and more importantly, a lot of research being conducted by our customer, they're all
trying very aggressively to promote this new direction because they do believe that the new wave of function --
features upgrading through the GAI.

**Q – Bruce Lu, Goldman Sachs**

Sorry, please. No, the question I was trying to ask is, you know, is that the technical constraint for the certain
speed or certain thing to prevent you to further proliferate to Dimensity 1000, or is a business decision?

**A – David Ku, CFO**

What is 1000?

**Q – Bruce Lu, Goldman Sachs**

Dimensity 1000, meaning the mid to low-end of your chips. Is there any technical requirement?

**A – David Ku, CFO**

There's no technical limitation because right now, actually once we announce the flagship, our generation 8000
series will adopt GAI as well. Okay, we're going to announce that in the same time in November. So it really
depends on -- it's more of an economical decision if you like, like how much is the pricing point and how much
GAI related value we can put in rather than technical difficulty or technical limitations.

**Q – Bruce Lu, Goldman Sachs**

I see, understand. Thank you. So the second question I still want to ask about the ASIC. You know, I think a lot of
investors do have the concern about ASIC growth or the profitability. I think Rick just mentioned that the
profitability is going to be good. But I just want to that, you know, do we maintain a similar value add for the
ASIC moving forward? I mean, do we -- what's the growth outlook for our ASIC business in the coming years? I
think, Rick also mentioned about the ASIC addressable market two years ago. Do we see an enlarging ASIC
business at this moment?

**A - Dr. Rick Tsai, CEO**

We see ASIC market to be growing even better compared to two years ago, the TAM. Well, because all these
changes in the AI field, it's pretty obvious. And also we see, I'm sure, as you do too, the behavior or the silicon
behavior by the key cloud AI or cloud data center providers, not to mention the rapid -- still rapid improvement
in process technology and packaging technology from a power consumption point of view, et cetera.

So, all those changes, again, I believe provide MediaTek actually a better entry into this market. This market can
be very big and certainly dynamic. And also, the profitability question relates to also the business model. But
what I said earlier remains certainly valid. Whether we go into ASIC or the multiple ARM computing is that we
need profitable growth. We can have very good revenue, but also we still -- we will still have very good
operating margin for that revenue. That's the way we're going to.

**Q – Bruce Lu, Goldman Sachs**

A quick follow-up, that, you know, because the hyperscalers, they are trying to develop the chip by themselves.
You can see that from many hyperscalers. So what's the value proposition for MediaTek in this business? At the
end of the day, they have become your competitor or customer.

**A - Dr. Rick Tsai, CEO**

Well, that's where my comments earlier about the flexible business model comes in. We will be their partner.
We don't compete against them. We have the ability that we have, be they in leading edge process capability,
the packaging capability, the high speed like SerDes capability. All these, I think, are very valuable and
complementary to many of the data center providers. I'm sure I missed a couple. My guys gave me quite a few more, but yeah, but that's okay, you get a point. I think at the end of the day also, this flexible and openminded approach, the collaborative approach with potential customer will also prove very valuable.

**Q - Charlie Chan, Morgan Stanley**
Hey. Good afternoon, Rick, David, and Jessie. First of all, congratulations for great results. So, I have two parts of question. One is on the -- your new business. So there were some discussions, before I want to clarify some part of that. And second topic will be on your smartphone competition.

So, first of all, on that partnership with NVIDIA, I do search the website and both MediaTek and NVIDIA back in 2021, announced some partnership in the kind of a notebook. And MediaTek, sorry, Jensen, the NVIDIA CEO, even said that with MediaTek's technology, you guys can make the best or most excellent notebook experience. So, I'm wondering, you know, any progress in this partnership? So please correct me if I'm wrong, I do see you have this partnership since two years ago.

**A -- David Ku, CFO**
Yeah. Charlie, it's David here. Yes, we do announce -- we did announce the partnership and we kind of explained to everyone a few years back that partnership basically works on the Chromebook side. And the idea is actually we have a pretty good CPU and we incorporate basically -- when I say incorporate, basically put out from the system level, not on the chipset level -- we leverage the NVIDIA high-end GPU back to one of the initiatives NVIDIA are trying to drive is to see whether or not we can find something with a gaming Chromebook, if you like.

And that one actually is still ongoing, but didn't really proliferate well into other segments. And this actually is not quite like people speculating right now this direction. But just to get back to your point, we did have that announcement and that was what I explained, that was the nature of this announcement and also the policy.

**Q - Charlie Chan, Morgan Stanley**
Okay. Thanks, David. So the second part of the first topic is about the ASIC. I think Bruce just asked a few questions around it. So, my question is also a clarification. I remember a quarter ago, Rick mentioned that there could be some good news come or to announce around the year-end. So, I'm wondering whether there's any progress? And if there is some progress, do you expect any big revenue ramp no matter in 2024 or 2025 from the major projects? Thanks.

**A -- David Ku, CFO**
We just checked the record, we didn't really show -- see anything say, our CEO kind of talking about some announcement before end of this year. And also, in general, that's actually, as our policy, we probably don't disclose the users' names.

**Q - Charlie Chan, Morgan Stanley**
Okay. Rick, do you have anything to add or I can jump to the next topic?

**A - Dr. Rick Tsai, CEO**
I think, I said just now, I am very confident that we will be making good progress in this very large and high growth market with our capabilities and the business models.

**Q - Charlie Chan, Morgan Stanley**
Okay. Anyway, wish you a success. So my last question is really about Huawei impact. This is more open-ended question. I really want to get your kind of opinion because the concern is that the Huawei Mate 60 Pro. They seems to use an older generation process like 7-nanometer, you know, process, but they can still sell okay.

Personally, I play with the phones for a few minutes. I think it runs as smoothly. So, my question is to Rick, right, how do you justify your smartphone customers to -- or end users to migrate to 4-nanometer or even 3-nanometer which will cost more money? What kind of killer apps or kind of features that you have to migrate to 3-nanometer? Thanks.

**A - Dr. Rick Tsai, CEO**

Some of the application, obviously, the high-power gaming for the heavy gamers, well, I'm sure a 7-nanometer processor and a 3-nanometer processor will behave very differently, very differently. Then the generative AI which we have spent so much time on today and also, I'm sure in the months and years ahead, you need those leading-edge process to provide you all those computing power for the mobile part of the low power computing power. So, there's no question in my mind that the 3-nanometer will beat the heck out of 7-nanometer.

**Q - Charlie Chan, Morgan Stanley**

Would that the large language model is going to be a key differentiator for 3-nanometer chip?

**A – David Ku, CFO**

Charlie, yes and no. Actually, maybe another way to answer your question more directly. If the world only needs 7-nanometer, maybe the global phone maker will stay in that age. In that process, no one will migrate. But you actually see quite the opposite for the global phone leaders. So, unless you believe, the global phone leaders are all wrong, and your five-minute test, especially can show -- can demonstrate and be a good rep for all customers. Otherwise, I think the world is still demanding a better process node and better performance. But maybe for certain customer group, when they have certain usage behavior, you don't need a leading node, okay. But for most of the customer or big population of customer, they probably still need better support processor, which means better process nodes.

-End of Q&A session-