
Financial Briefings for the Third Quarter of the Fiscal Year Ending March 2024 (April to December 2023)

February 9, 2024

KOKUSAI ELECTRIC CORPORATION

Disclaimers

This document and the information presented in this document were created for the purpose of disclosing corporate information, etc., and do not constitute a solicitation of an offer to subscribe for shares or other securities of the Company, either domestically or internationally.

■ Forward-Looking Statements

The Group's business plans and forecasts stated in this document are prepared by the Group based on information available at the time of preparation and do not guarantee future results or performance. Actual business results and performance may differ significantly from the plans and forecasts due to changes in various internal and external factors. The Company does not undertake any obligation to update or revise any information contained in this document based on future events, except as required by applicable laws or stock exchange rules. The key risks that may significantly affect the Group's business results, financial position and cash flows are stated in the annual securities report of the Company.

■ Currency Risk

The Group has a high proportion of overseas revenue. In addition, the valuation of the Group's foreign currency-denominated assets and liabilities is affected by fluctuations of the foreign exchange market, but the export sales of the Company's products are mostly reported in Japanese yen. Some sales and expenses are reported in foreign currencies, but the impact on profit is minimal unless there are extreme fluctuations in the exchange rates.

■ Key Performance Indicators

To understand the trends in business results to improve corporate value, the Group uses Adjusted Operating Profit and Adjusted (quarterly) Net Income as key performance indicators. The calculation methods are stated in the earnings report.

■ Accounting Standard

The Company prepares its consolidated financial reports based in accordance with International Financial Reporting Standards (IFRS) since FY2021/3.

■ Rounding Convention

Except in certain cases, amounts presented in this document have been rounded to the nearest hundredth million, and accordingly the sum of the amounts may not be equal to the total of the individual items.



3Q FY24/3 Consolidated Financial Summary

Highlight

Summary of Consolidated Results for 3Q FY24/3

- **We recognized the market bottomed out as inventory adjustments of semiconductor devices is progressing, and the unit price of memory devices has begun to rise.**
In addition to robust investment in mature nodes, **DRAM and Logic/Foundry are also recovering.**
- **Although our 3Q revenue and profit decreased YoY, we saw a remarkable recovery from 1Q to 2Q, and from 2Q to 3Q.**
Orders received started to recover since 3Q as planned.

Consolidated Earnings Forecast for FY24/3 and Outlook for the future

- Despite a decrease in equipment revenue in FY24/3 YoY, equipment revenue in FY25/3 is expected to outperform WFE.
- Our revenue and profit bottomed out in 1Q, orders received did in 2Q, and each has started recovering. No changes to the full-year forecast FY24/3.
Robust investment in mature nodes are contributing to our revenue. Down the road, revenue for cutting-edge devices will also recover.
- The impact of the 2024 Noto Peninsula Earthquake on our earnings is negligible.

Consolidated Results Summary

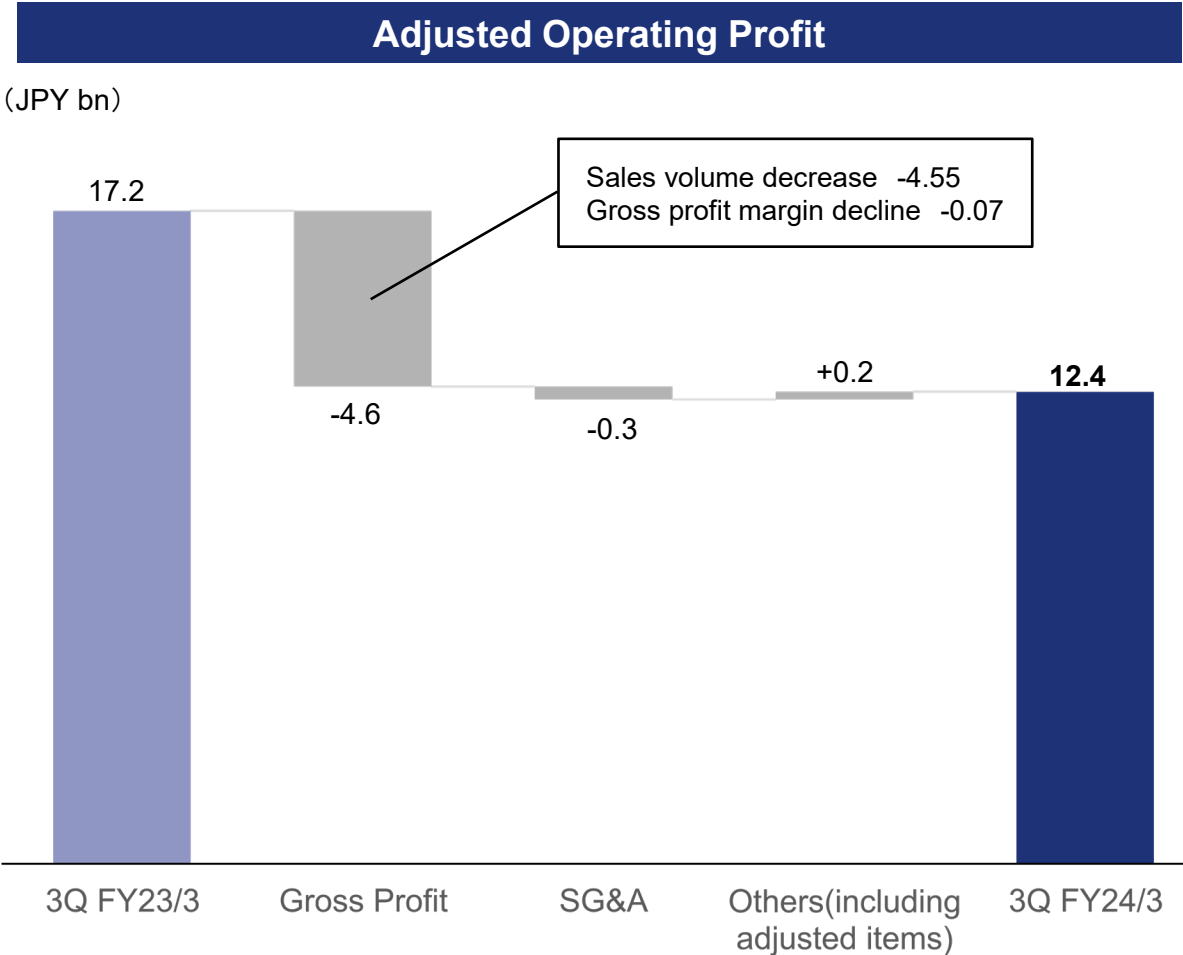
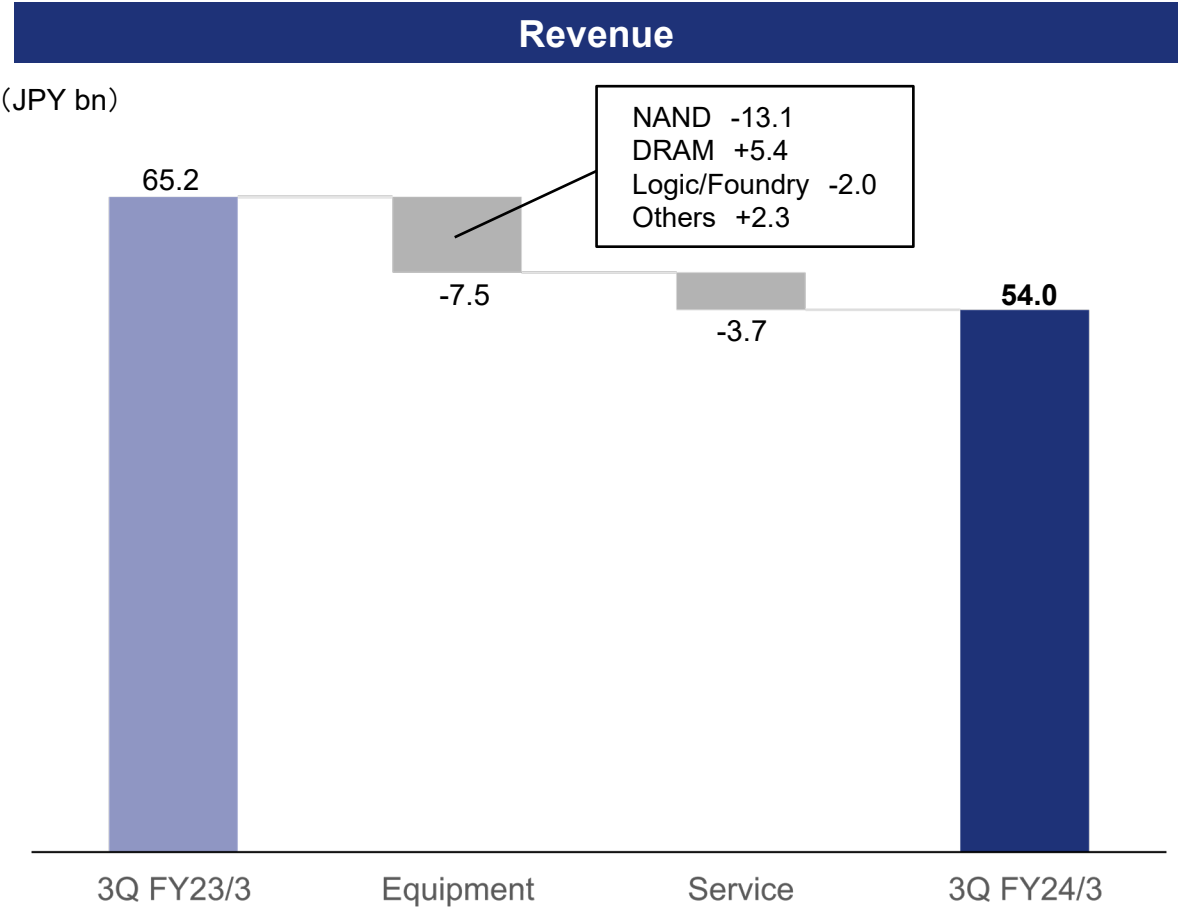
3Q revenue and profit decreased YoY due to the stagnation in the memory market, but recovered markedly from 1Q to 2Q, and 2Q to 3Q. Gross profit margin remained above 40% despite the impact of changes in the composition of projects.

(億円)	23/3期				24/3期						
	1Q	2Q	3Q	3Q累計	1Q	2Q	3Q	前年同期比	前四半期比	3Q累計	前年同期比
Revenue	56.0	64.4	65.2	185.6	32.7	45.0	54.0	-17.3%	+19.9%	131.7	-29.1%
Gross profit	23.1	27.5	26.4	76.9	14.3	19.9	21.7	-17.5%	+9.3%	55.9	-27.3%
<i>Gross profit margin</i>	41.2%	42.7%	40.4%	41.4%	43.6%	44.2%	40.3%	-0.1pts	-3.9pts	42.5%	+1.0pts
Adjusted operating profit	14.7	18.1	17.2	50.0	5.6	11.0	12.4	-27.7%	+12.4%	29.0	-41.9%
<i>Adjusted operating profit margin</i>	26.2%	28.1%	26.3%	26.9%	17.2%	24.5%	23.0%	-3.3pts	-1.5pts	22.1%	-4.8pts
Adjusted net income	10.8	12.5	12.2	35.5	3.8	7.3	9.1	-25.4%	+24.6%	20.2	-43.1%
<i>Adjusted net income margin</i>	19.3%	19.4%	18.7%	19.1%	11.6%	16.2%	16.9%	-1.8pts	+0.6pts	15.3%	-3.8pts
Operating profit	13.0	16.4	15.5	44.9	4.0	9.4	10.7	-31.2%	+13.9%	24.1	-46.4%
<i>Operating profit margin</i>	23.2%	25.5%	23.8%	24.2%	12.2%	20.9%	19.8%	-4.0pts	-1.0pts	18.3%	-5.9pts
Income before income tax	12.9	16.4	15.7	45.0	3.7	9.1	10.7	-31.4%	+17.5%	23.6	-47.5%
<i>Income before income tax margin</i>	23.0%	25.5%	24.0%	24.2%	11.4%	20.3%	19.9%	-4.1pts	-0.4pts	17.9%	-6.3pts
Net income	9.6	11.3	11.1	32.0	2.7	6.2	7.9	-28.5%	+28.5%	16.7	-47.7%
<i>Net income margin</i>	17.1%	17.5%	17.0%	17.2%	8.1%	13.7%	14.7%	-2.3pts	+1.0pts	12.7%	-4.5pts
R&D expenses	2.7	3.3	2.9	8.9	2.9	3.0	3.1	+5.2%	+1.3%	9.0	+1.4%
Capital expenditures	0.7	2.9	2.2	5.7	5.1	2.1	10.5	X3.9	X4.1	17.6	X2.1
Depreciation & amortization	2.5	2.6	2.6	7.7	2.6	2.7	2.8	+7.4%	+4.5%	8.1	+5.3%

3Q FY2024/3 Results: Factors for Changes

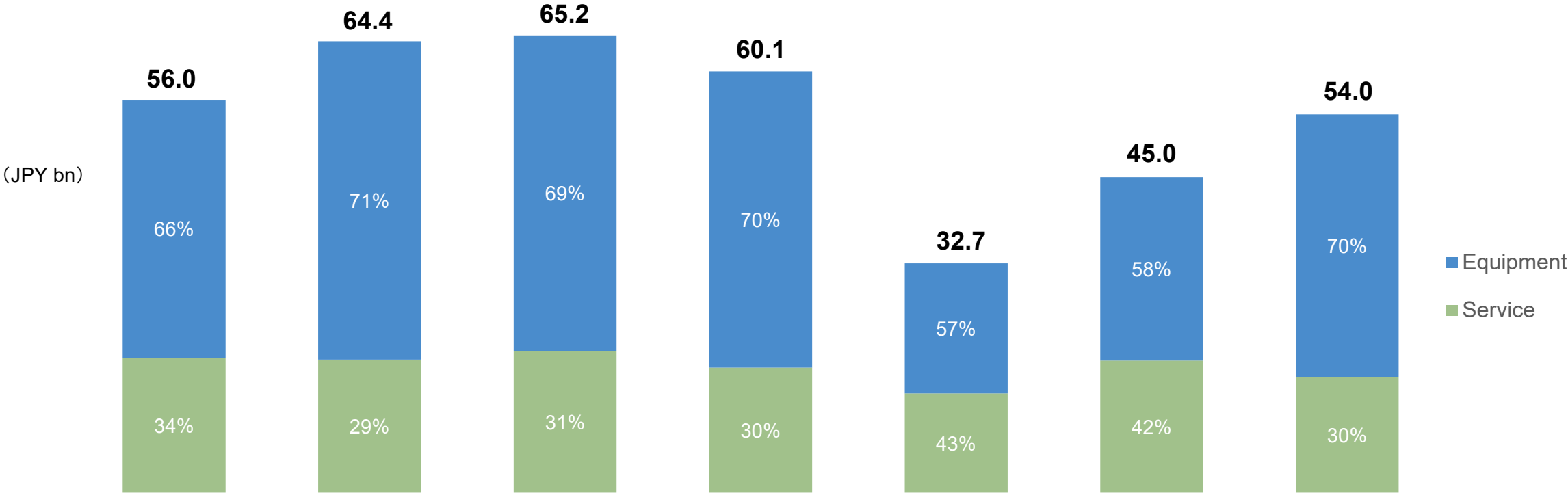
Revenue decreased by JPY11.3 bn YoY due to restrained investment in NAND.

Due to the impact of a sales decrease, adjusted operating profit declined by JPY4.8 bn YoY.



Revenues by Business

3Q revenue composition by business has returned to normal due to a recovery in equipment revenue, consisting of 70% equipment and 30% service.



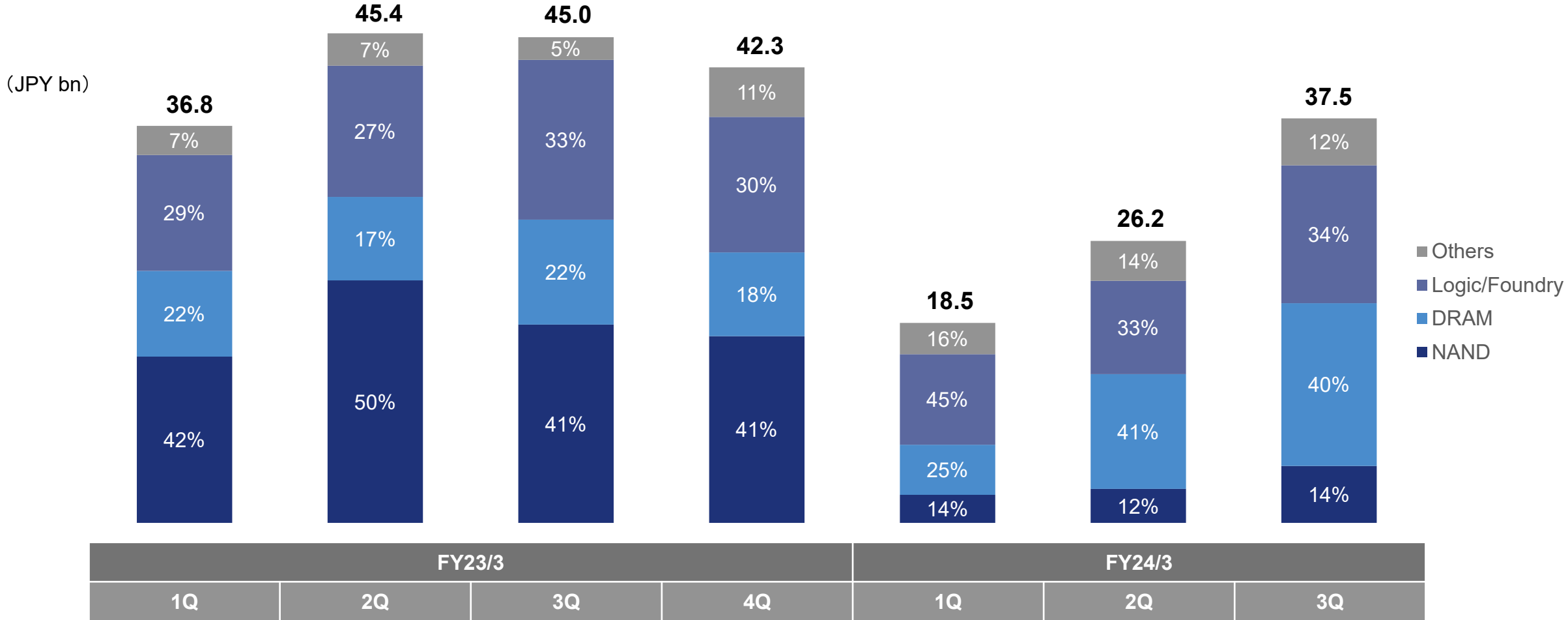
	FY23/3				FY24/3		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Equipment	36.8	45.4	45.0	42.3	18.5	26.2	37.5
Service	19.2	19.0	20.2	17.8	14.2	18.8	16.4

(JPY bn)

Revenues by Application (Equipment only)

3Q revenue composition by application consists of 14% NAND, 40% DRAM and 46% Logic/Foundry + Others.

While investment in NAND continues to be restrained, investment in DRAM and Logic/Foundry, including mature nodes, has recovered.

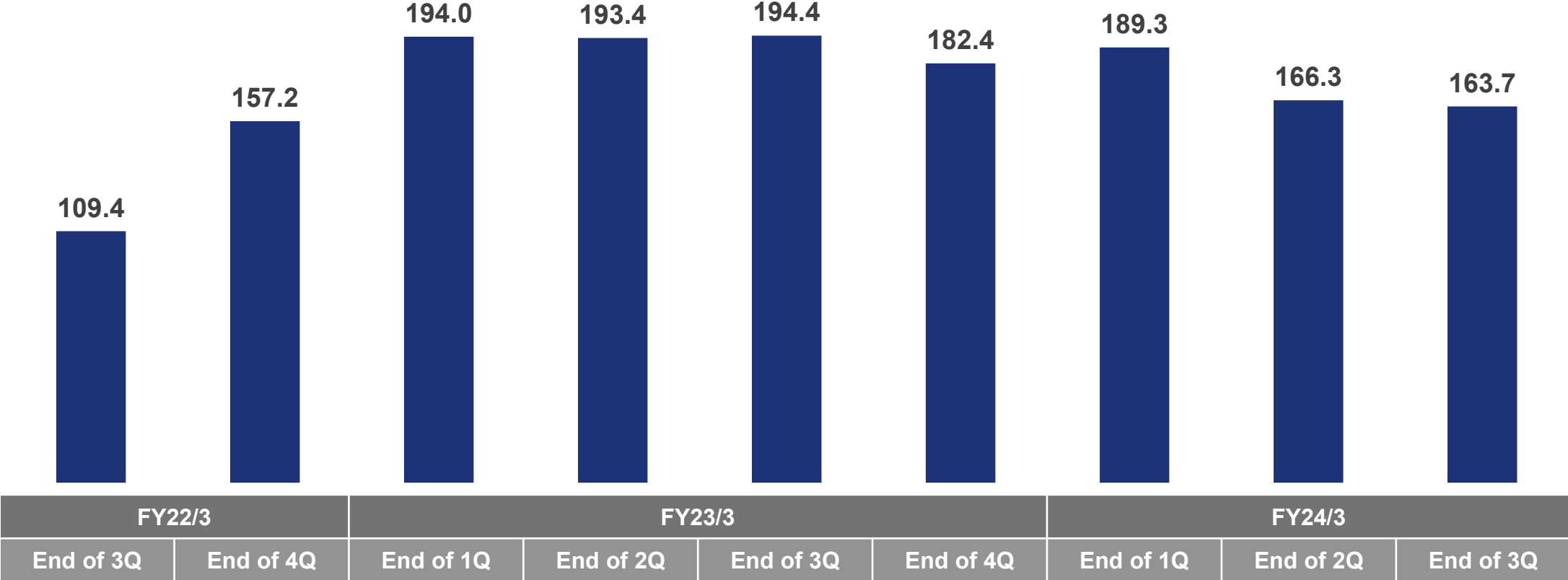


Trends in Order Backlog

Orders received bottomed out in 2Q and have recovered since 3Q as planned. The order backlog level is returning to normal as projects with long delivery times included in the backlog are being shifted to sales.

As a result, the order backlog at the end of 3Q was at the same level as the end of 2Q.

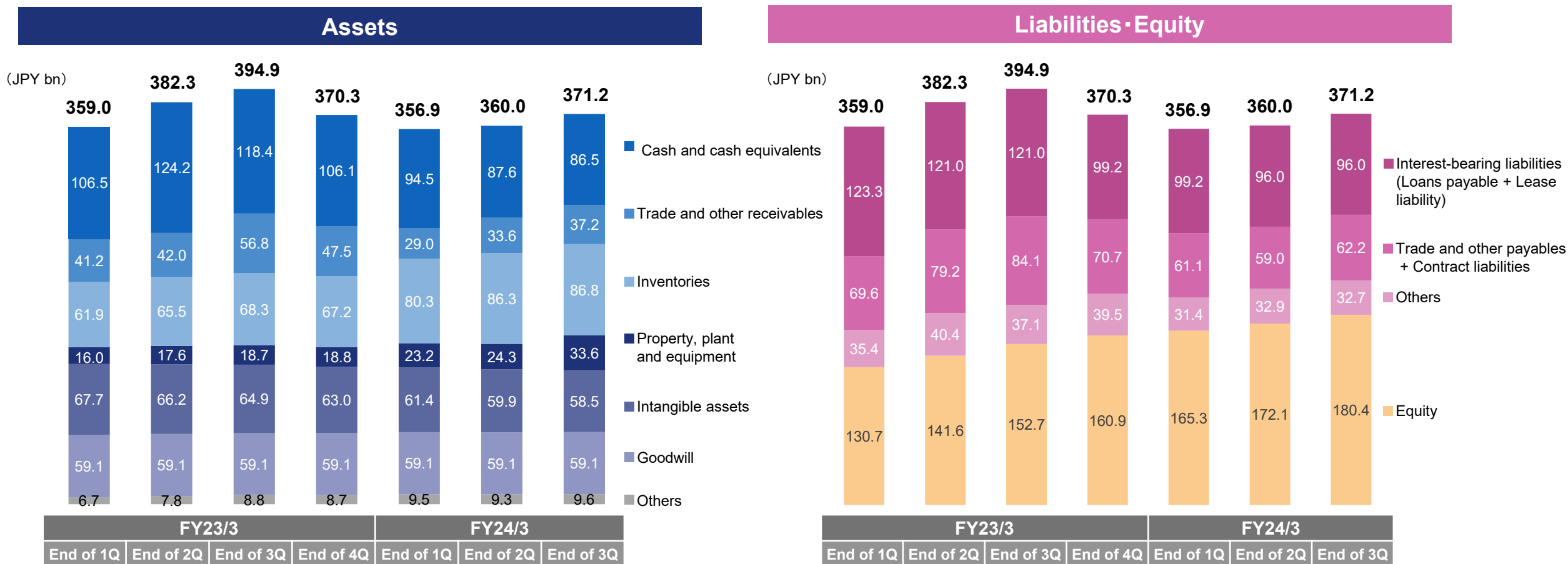
(JPY bn)



Balance Sheet

Total assets remained at the same level as the end of FY23/3 due to increases in property, plant and equipment, and inventories despite decreases in cash and cash equivalents, and trade and other receivables.

Total liabilities decreased by JPY18.5 bn from the end of FY23/3 mainly due to a decrease in trade and other payables + contract liabilities, and Interest-bearing liabilities.

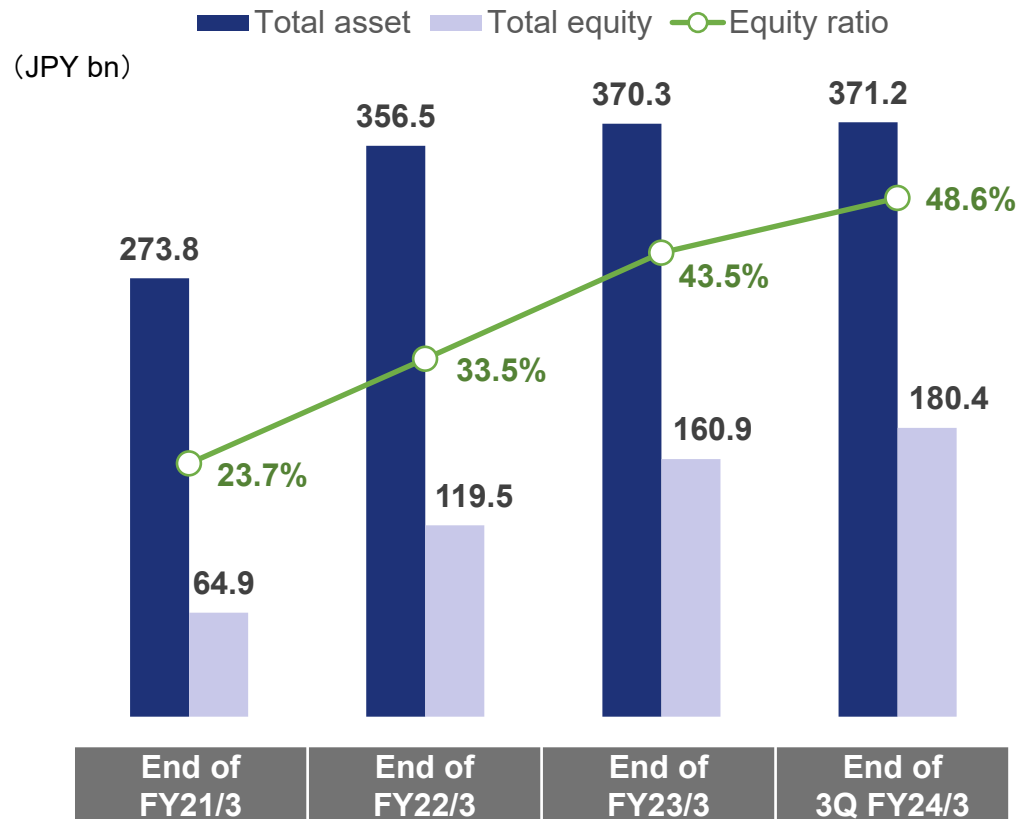


Equity Ratio / Cash and Cash Equivalents / Interest-bearing Liabilities

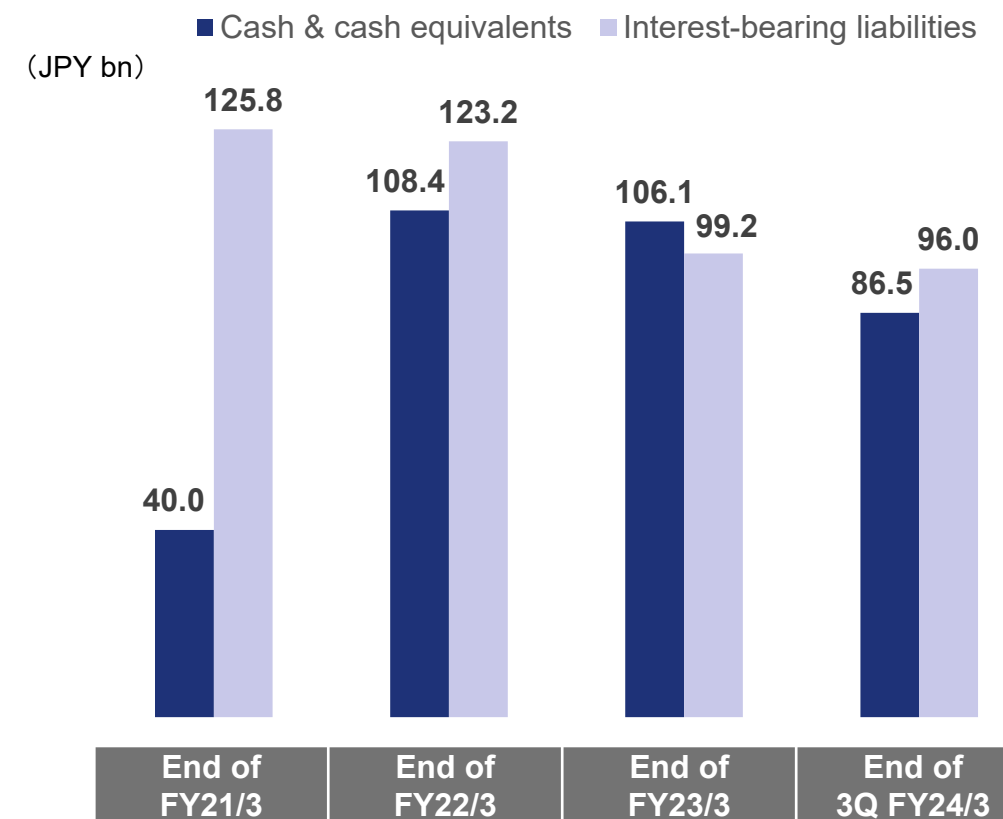
The equity ratio increased to 48.6% as of the end of 3Q.

Net debt resulted in JPY9.5 bn at the end of 3Q due to a decrease in operating cash flows in FY24/3. Interest-bearing liabilities have been decreasing.

Total Asset / Total Equity / Equity Ratio

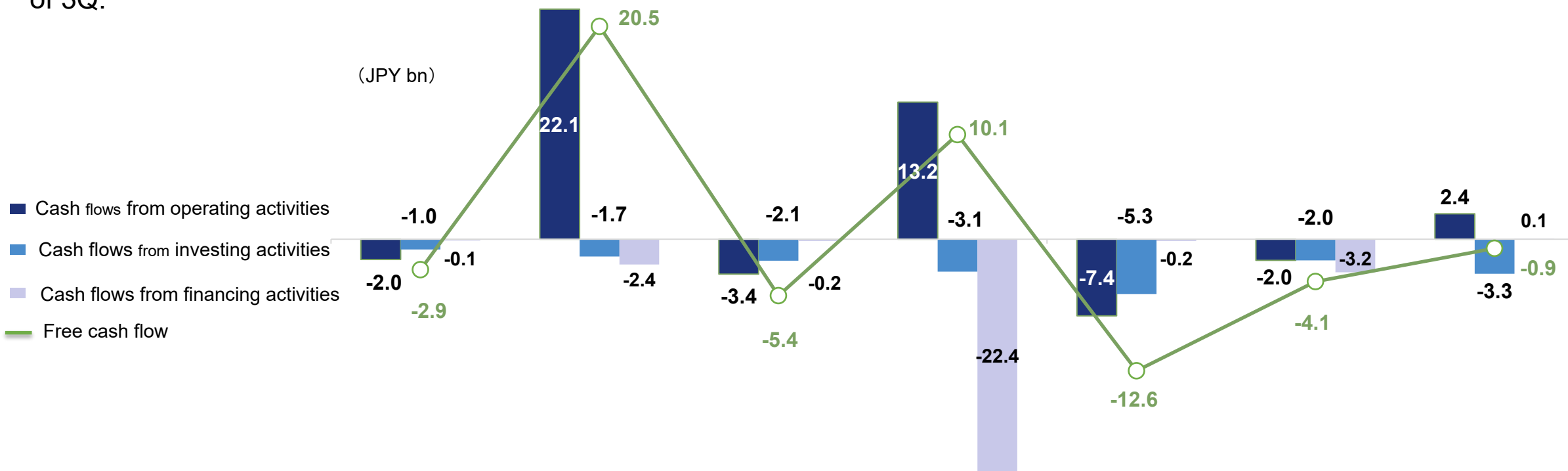


Cash and Cash Equivalents / Interest-bearing Liabilities



Cash Flows

Operating cash flows recovered in 3Q as revenue recovered. The level of cash and cash equivalents remained high at the end of 3Q.

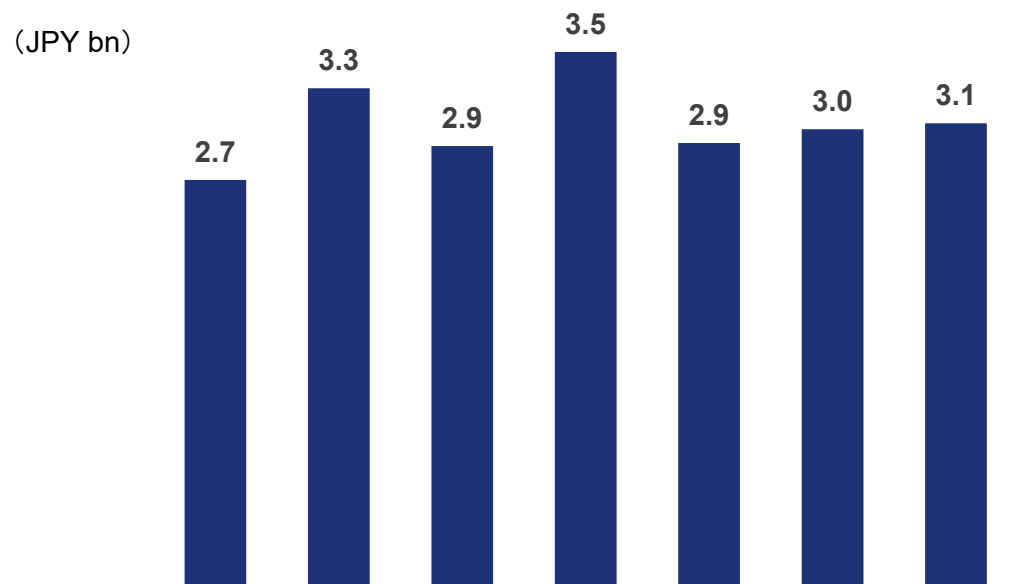


(JPY bn)	FY23/3				FY24/3		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
CF from operating activities	-2.0	22.1	-3.4	13.2	-7.4	-2.0	2.4
CF from investing activities	-1.0	-1.7	-2.1	-3.1	-5.3	-2.0	-3.3
CF from financing activities	-0.1	-2.4	-0.2	-22.4	-0.2	-3.2	0.1
Free CF	-2.9	20.5	-5.4	10.1	-12.6	-4.1	-0.9
Cash and cash equivalents	106.5	124.2	118.4	106.1	94.5	87.6	86.5

R&D Expenses / Capital Expenditure / Depreciation Expense

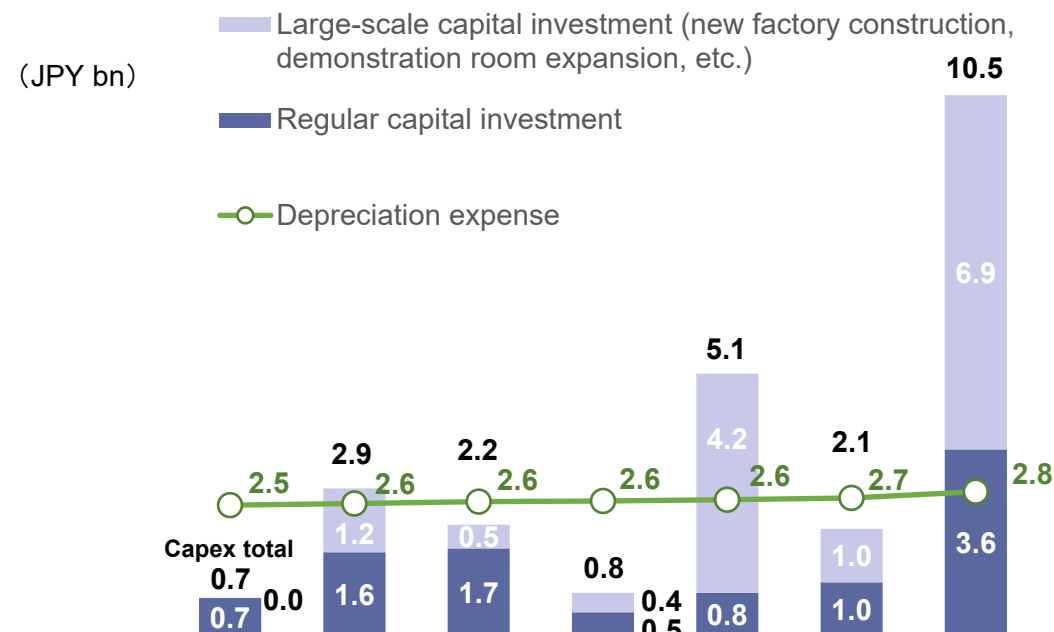
The ratio of R&D expenses to revenue increased temporarily due to the continued investment in next-generation equipment development. The ratio will normalize as sales recover. Large-scale capital investments with long-term amortization, such as new factory construction and demonstration room expansion, are increasing.

R&D Expenses



(億円)	23/3期				24/3期		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
R&D expenses	2.7	3.3	2.9	3.5	2.9	3.0	3.1
Ratio to revenue	4.8%	5.1%	4.5%	5.9%	9.0%	6.7%	5.7%

Capital Expenditures / Depreciation Expense



(億円)	23/3期				24/3期		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
Capex total	0.7	2.9	2.2	0.8	5.1	2.1	10.5
Ratio to revenue	1.3%	4.4%	3.3%	1.4%	15.5%	4.6%	19.4%
Depreciation	2.5	2.6	2.6	2.6	2.6	2.7	2.8
Ratio to revenue	4.5%	4.0%	4.0%	4.3%	8.1%	5.9%	5.2%



Consolidated Earnings Forecast for FY24/3 and Outlook for the future

Highlight

Summary of Consolidated Results for 3Q FY24/3

- We recognized the market bottomed out as inventory adjustments of semiconductor devices is progressing, and the unit price of memory devices has begun to rise.
In addition to robust investment in mature nodes, DRAM and Logic/Foundry are also recovering.
- Although our 3Q revenue and profit decreased YoY, we saw a remarkable recovery from 1Q to 2Q, and from 2Q to 3Q.
Orders received started to recover since 3Q as planned.

Consolidated Earnings Forecast for FY24/3 and Outlook for the future

- **Despite a decrease in equipment revenue in FY24/3 YoY, equipment revenue in FY25/3 is expected to outperform WFE.**
- **Our revenue and profit bottomed out in 1Q, orders received did in 2Q, and each has started recovering. No changes to the full-year forecast FY24/3. Robust investment in mature nodes are contributing to our revenue. Down the road, revenue for cutting-edge devices will also recover.**
- **The impact of the 2024 Noto Peninsula Earthquake on our earnings is negligible.**

FY2024/3 Earnings Forecast

No changes to the previous forecast.

Investments in DRAM and Logic/Foundry, including mature nodes, has contributed to our earnings.

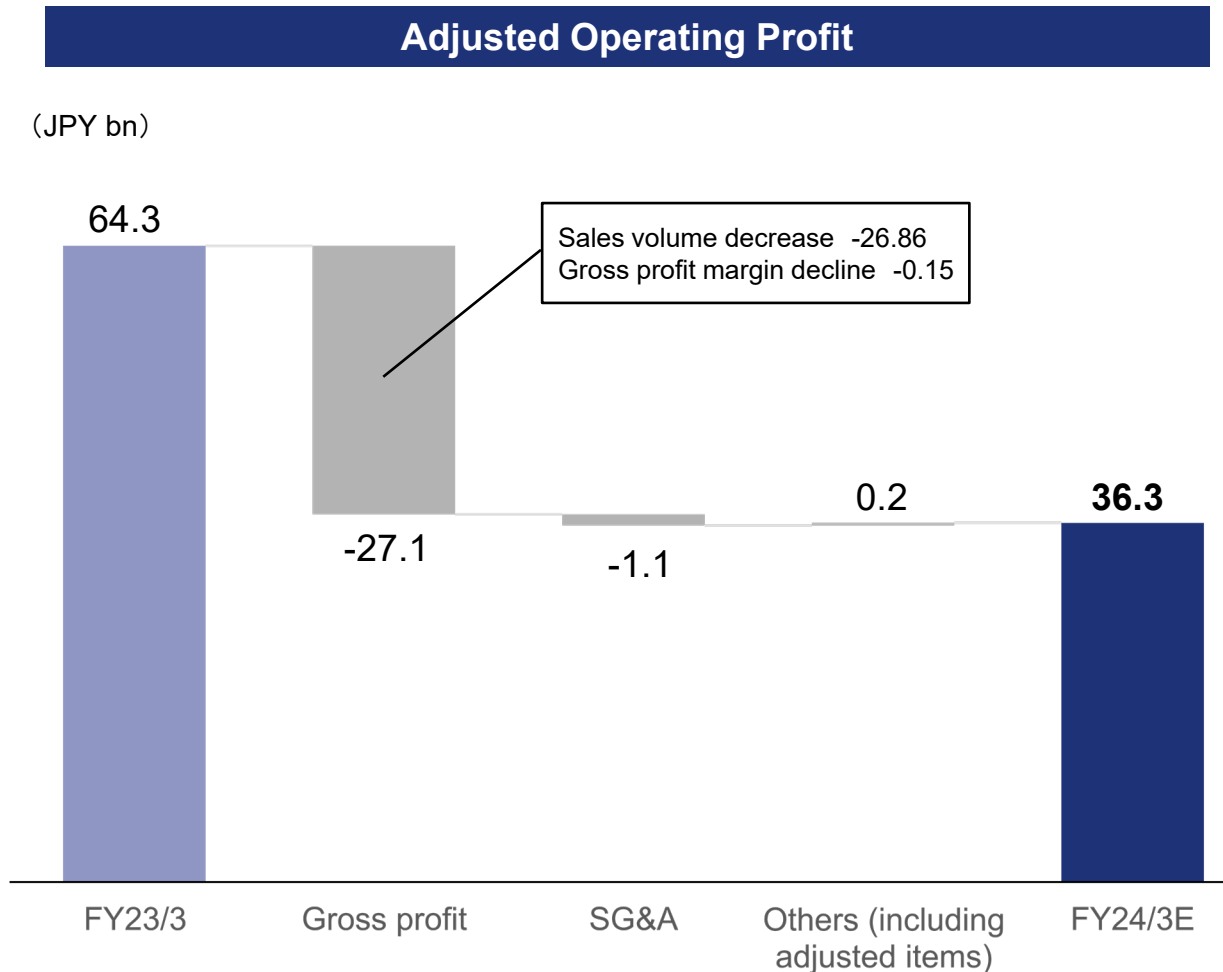
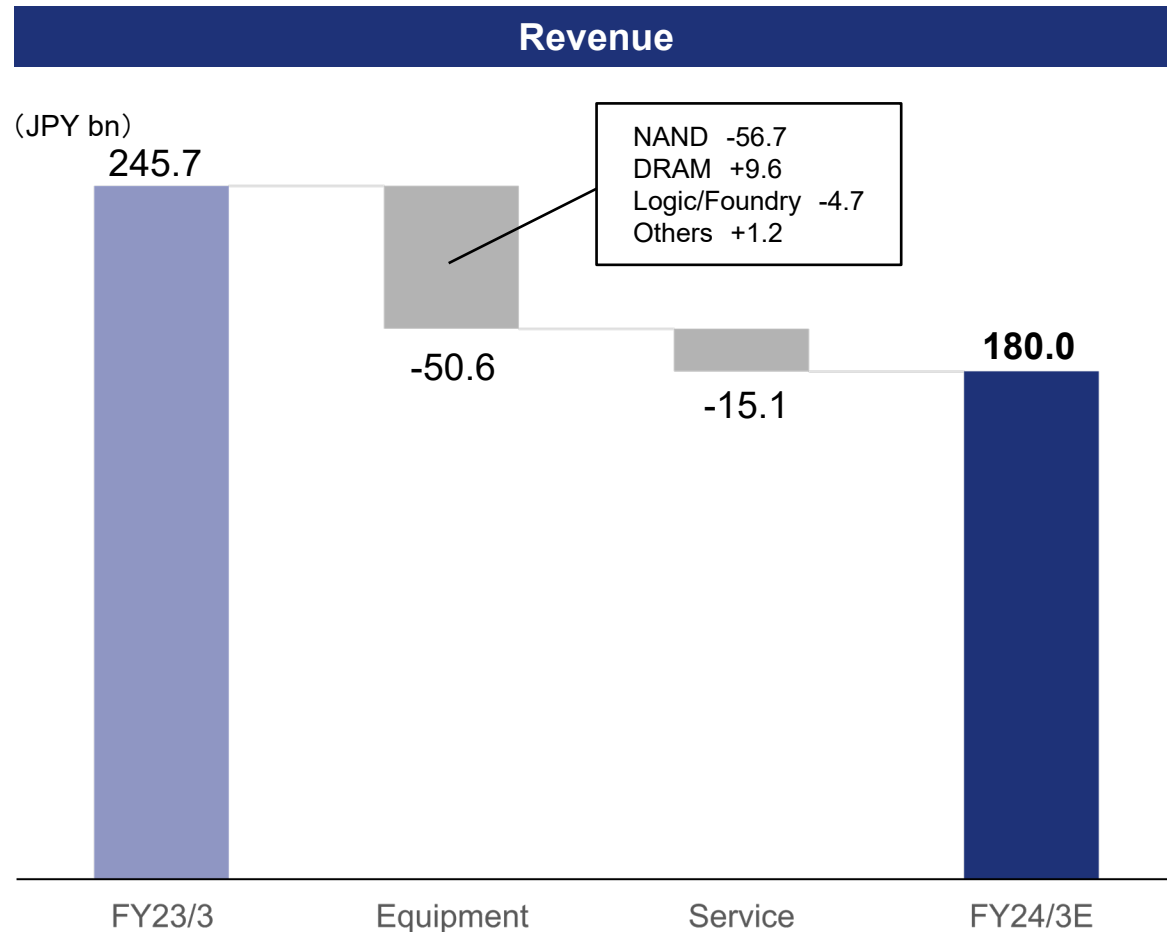
	(JPY bn)	FY23/3		FY24/3		
		1-3Q	Full year	1-3Q	Full year (forecast)	YoY
Revenue		185.6	245.7	131.7	180.0	-26.7%
Gross profit		76.9	100.8	55.9	73.7	-26.9%
<i>Gross profit margin</i>		41.4%	41.0%	42.5%	40.9%	-0.1pts
Adjusted operating profit		50.0	64.3	29.0	36.3	-43.6%
<i>Adjusted operating profit margin</i>		26.9%	26.1%	22.1%	20.1%	-6.0pts
Adjusted net income		35.5	46.0	20.2	25.2	-45.3%
<i>Adjusted net income margin</i>		19.1%	18.7%	15.3%	14.0%	-4.7pts
Operating profit		44.9	56.1	24.1	29.1	-48.1%
<i>Operating profit margin</i>		24.2%	22.8%	18.3%	16.2%	-6.6pts
Income before income tax		45.0	55.9	23.6	28.3	-49.4%
<i>Income before income tax margin</i>		24.2%	22.7%	17.9%	15.7%	-7.0pts
Net income		32.0	40.3	16.7	20.2	-49.9%
<i>Net income margin</i>		17.2%	16.4%	12.7%	11.2%	-5.2pts
Dividend per share (JPY)		-	-	-	11^{*1}	
<i>Dividends payout ratio</i>		-	-	-	12.5%	

*1 Regarding the dividend per share for the year ending March 31, 2024, we plan to pay the amount for half a year as a year-end dividend, given the listing was in the second half of the year.

FY2024/3 Earnings Forecast: Factors for Change

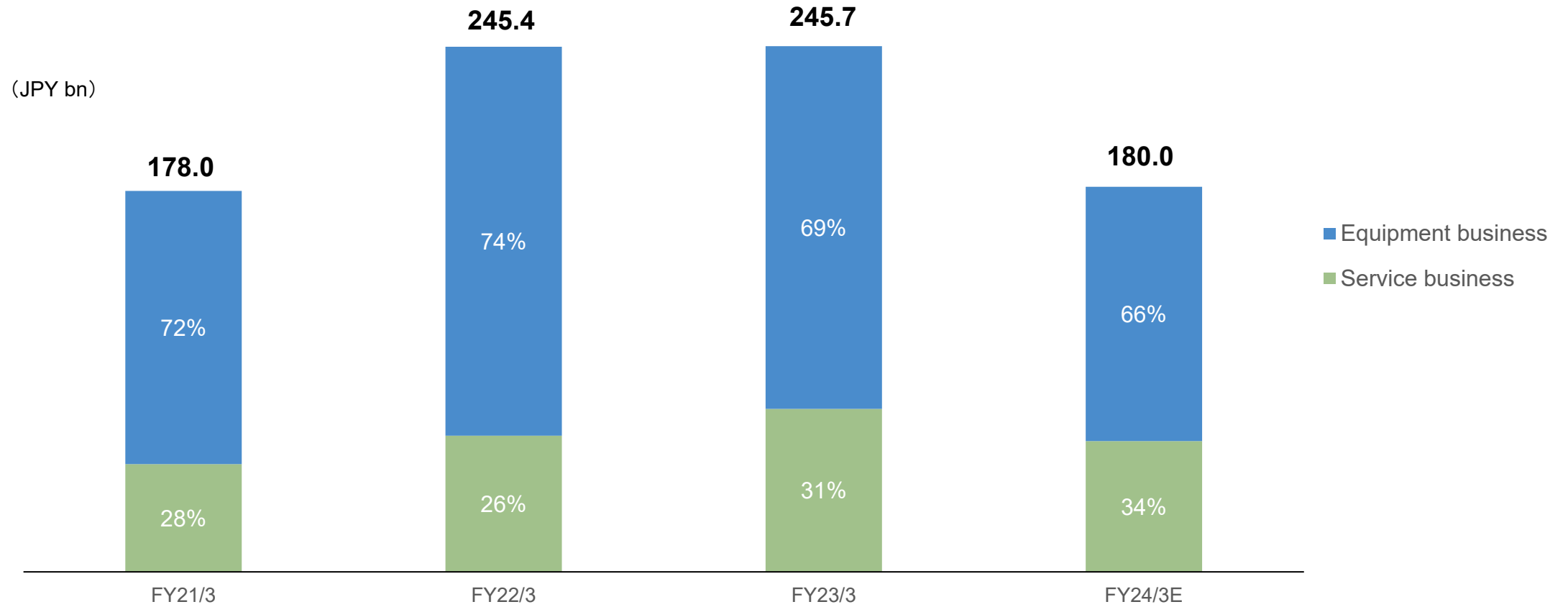
Equipment revenue is expected to decrease due to the impact of restrained investment in NAND.

Adjusted operating profit will also decline due to the impact of a sales decrease.



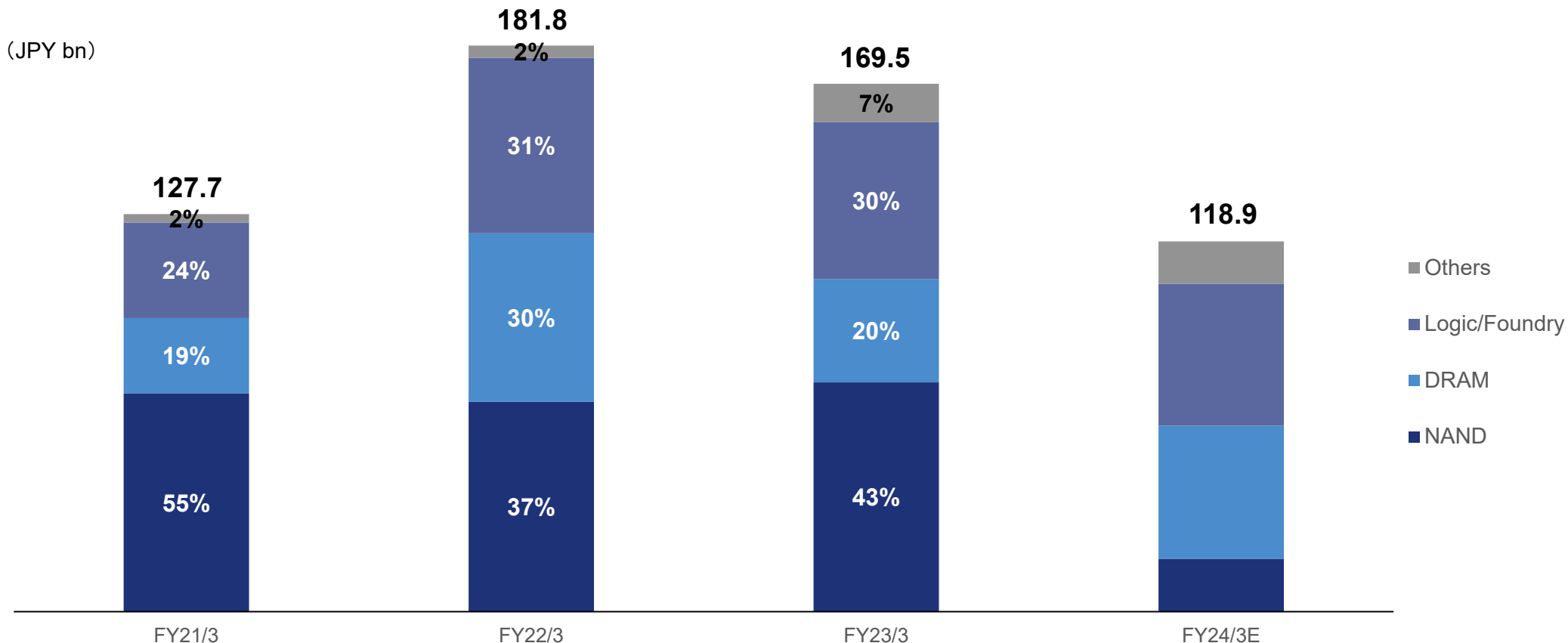
Revenue Forecast by Business

For FY24/3, a decrease in equipment revenue will result in temporary increase in the revenue composition ratio for service business.



Revenue Forecast by Application (Equipment only)

For 24/3, the revenue composition ratio for DRAM and Logic/Foundry is expected to increase due to a recovery in investment in DRAM and Logic/Foundry, including mature nodes, while restrained investment in NAND will continue.



Business Environment

Outlook for Semiconductor Devices and WFE Markets

■ Semiconductor Device Market

From a medium- to long-term viewpoint, significant growth is expected due to the expansion of data centers with the spread of 5G, AI, IoT, and DX, and investment in reducing environmental impact (GX).

■ WFE Market

The market for CY24 is expected to be almost flat from CY23 and grow to USD110–120 bn in the next few years.

Demand for high-valued-added semiconductor manufacturing equipment is expected to increase as semiconductor devices become more complex and three-dimensional.

Equipment Revenue Forecast in FY24/3 and FY25/3

- Equipment revenue in FY24/3 will decrease YoY. However, it bottomed out in 1Q, and started to recover remarkably. Growth for FY25/3 is expected to outperform the WFE.
- Trends by application are as follows;

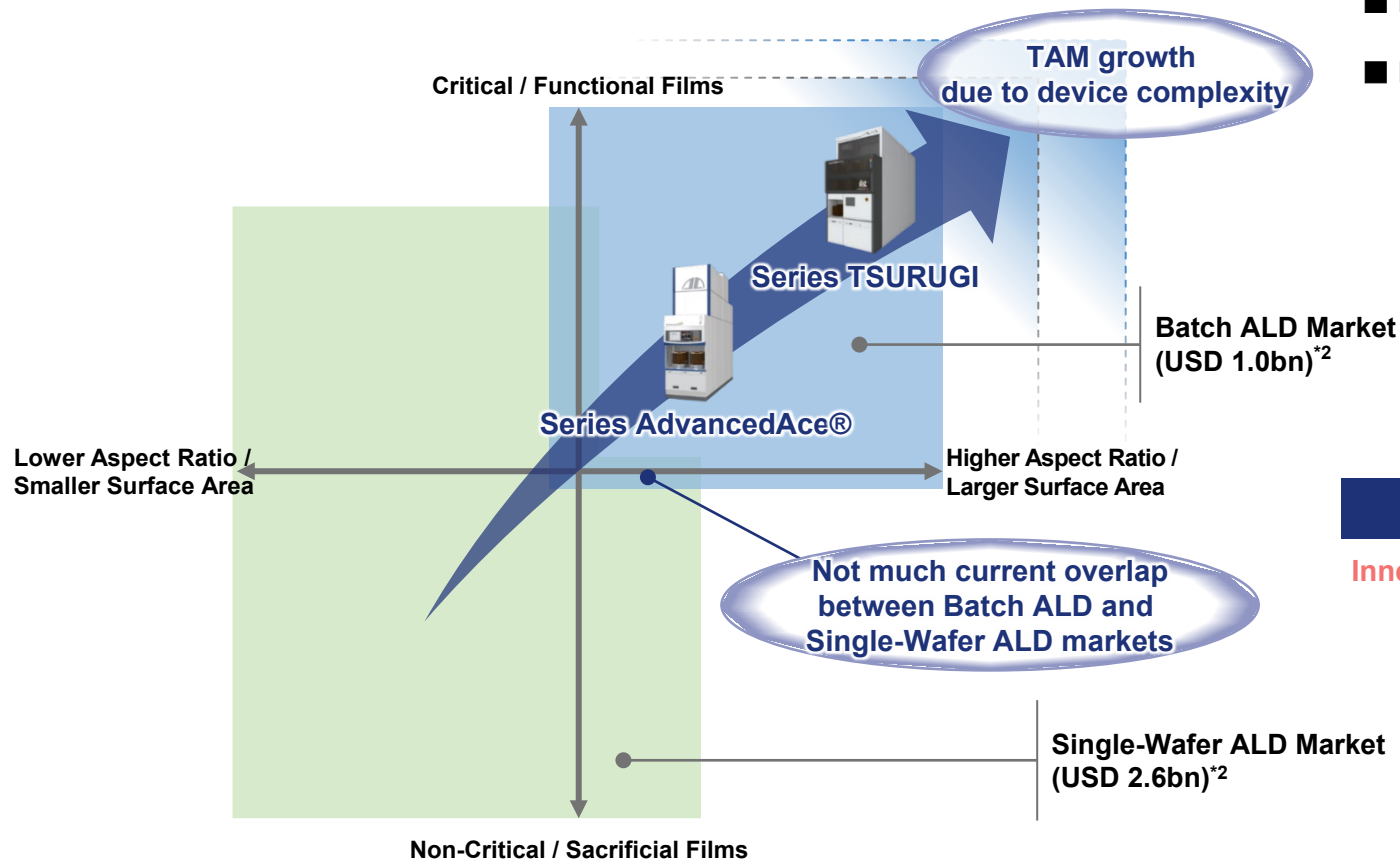
DRAM	<ul style="list-style-type: none"> • The most stable orders and sales are expected. In addition to demand growth for mature nodes for China, demand growth of cutting-edge devices is expected to recover globally. • Demand for DRAM is anticipated to expand due to the spread of demand for HBM*1, resulting from the popularization of generative AI.
Logic/Foundry	<ul style="list-style-type: none"> • Mature nodes for China are leading demand, after which mass-production for cutting-edge devices is expected to begun globally. • The acquisition of POR*3 for the development of GAA*2 is in progress as well. It is expected to start contributing to revenue from FY25/3, and a demand expansion is expected.
NAND	<ul style="list-style-type: none"> • Currently, demand for equipment for development is expected to continue. • The market is expected to start recovering from the latter half of FY25/3, and a full-scale recovery of mass-production is anticipated in FY26/3.
SiC Power Device	<ul style="list-style-type: none"> • Revenue is expected to expand in existing products in FY24/3 and FY25/3. • Rapid growth is expected in high-temperature activated annealed new products after FY26/3.

*1 HBM:High Bandwidth Memory *2 GAA:Gate All Around *3 POR:Process of Record

Advantages of Batch ALD

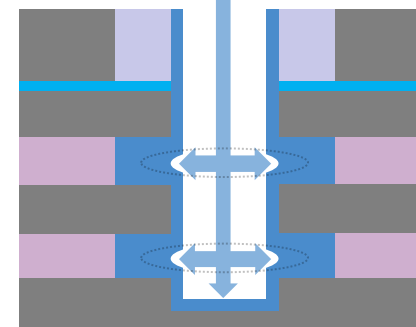
Batch ALD^{*1} market expands as devices become more complex. The demand for batch ALD is expected to increase not only in NAND but also in DRAM and Logic, while separating from the single-wafer ALD market.

Positioning of Batch ALD Market

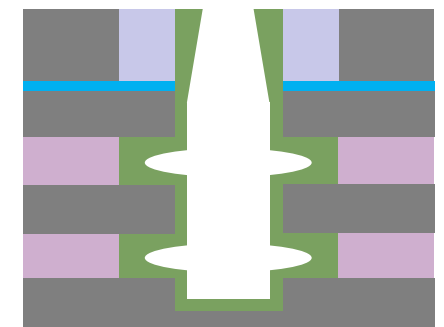


Features of our Batch ALD process

- Deposition with excellent step coverage in vertical and horizontal directions using thermal batch ALD technology
- High productivity through batch deposition

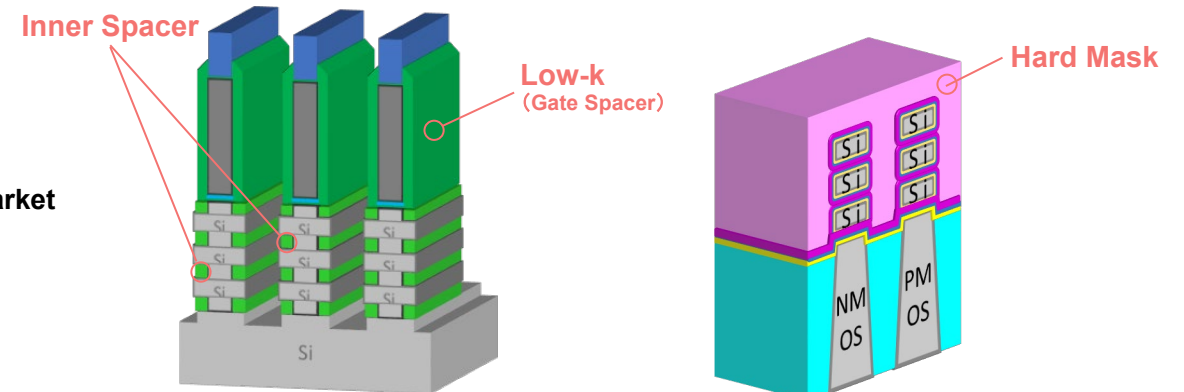


High productivity through batch deposition



Film formation image using conventional process

Increasing Demand for Batch ALD in Logic GAA^{*3}

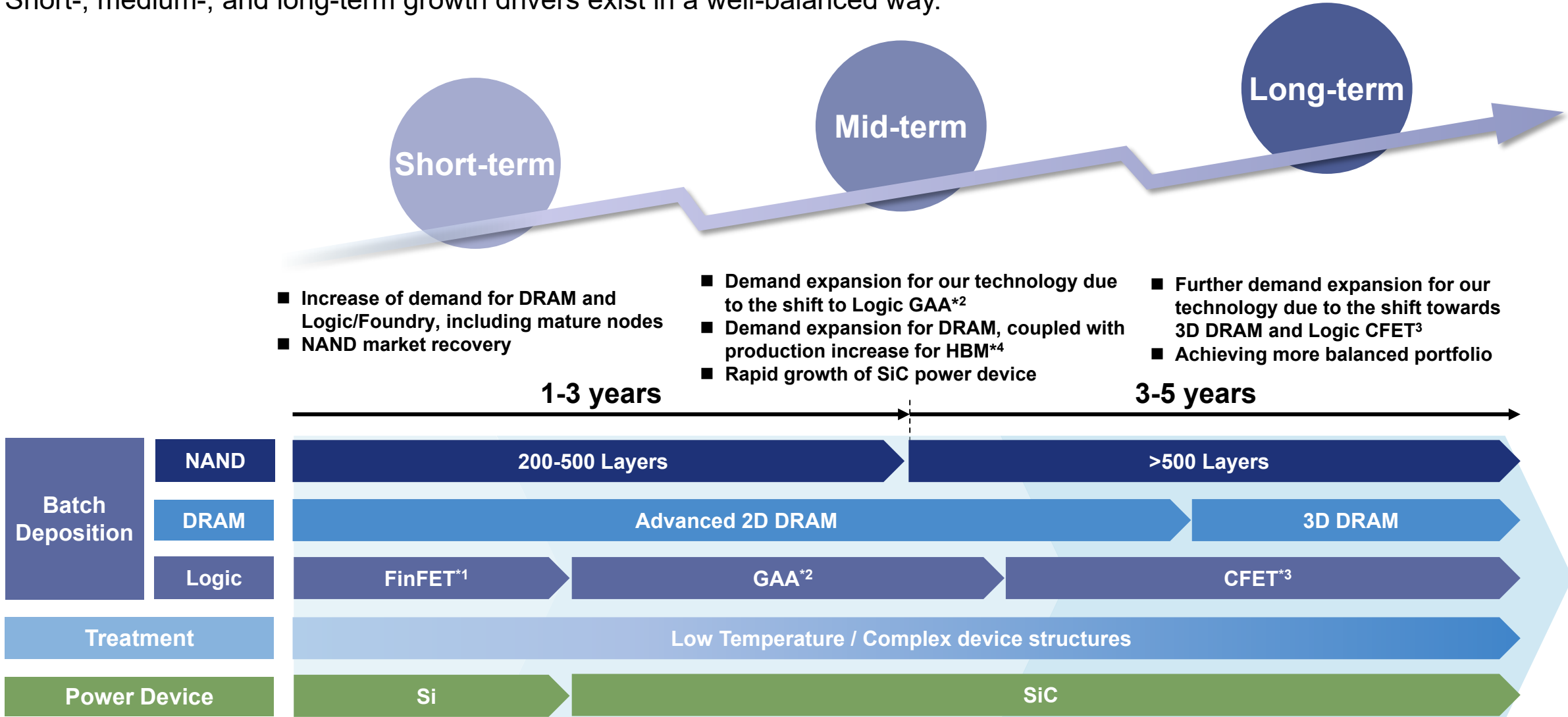


*1 We refer to a technique for thin-film deposition at an atomic layer level involving a process of cyclical supply of multiple gases as "ALD."

*2 Kokusai estimate based on public information and internal sales data *3 GAA: Gate All Around

Our Growth Roadmap

Short-, medium-, and long-term growth drivers exist in a well-balanced way.



*1 Fin Field-Effect Transistor *2 Gate All Around *3 Complimentary Field Effect Transistor *4 HBM: High Bandwidth Memory



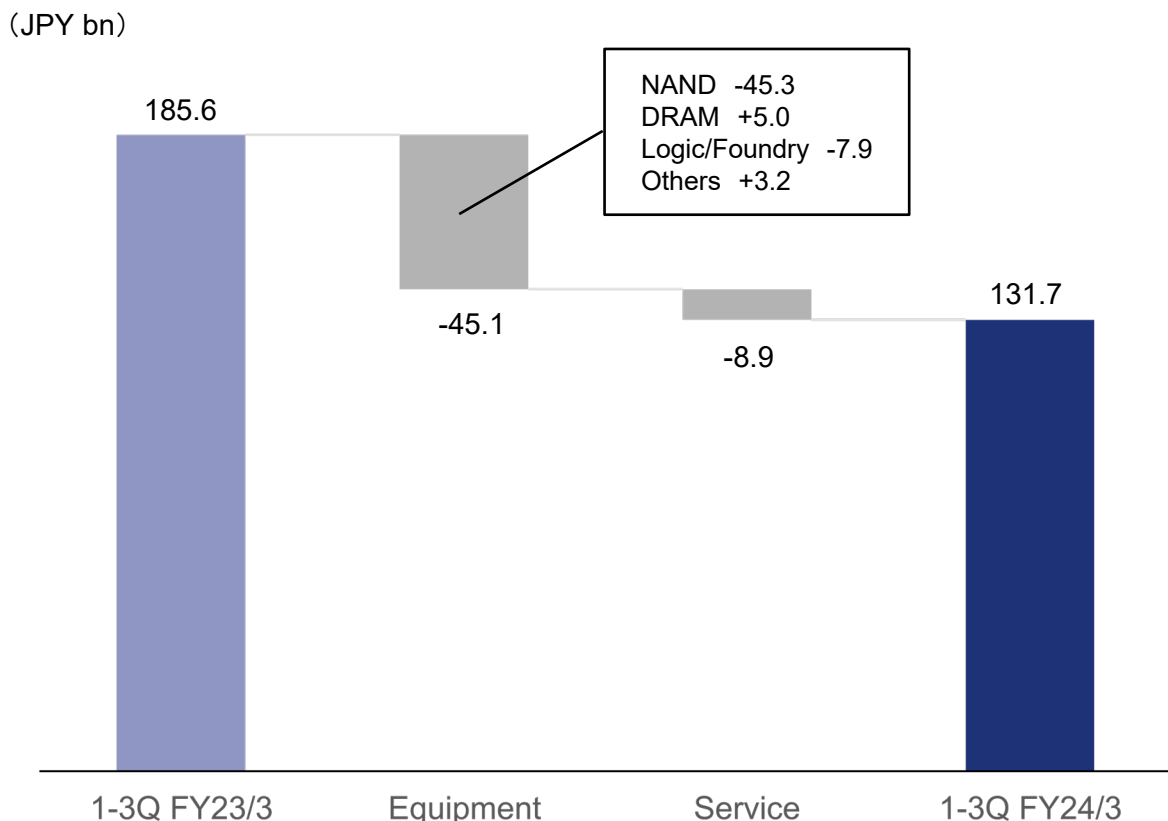
Appendix

1-3Q FY2024/3 Results: Factors for Changes

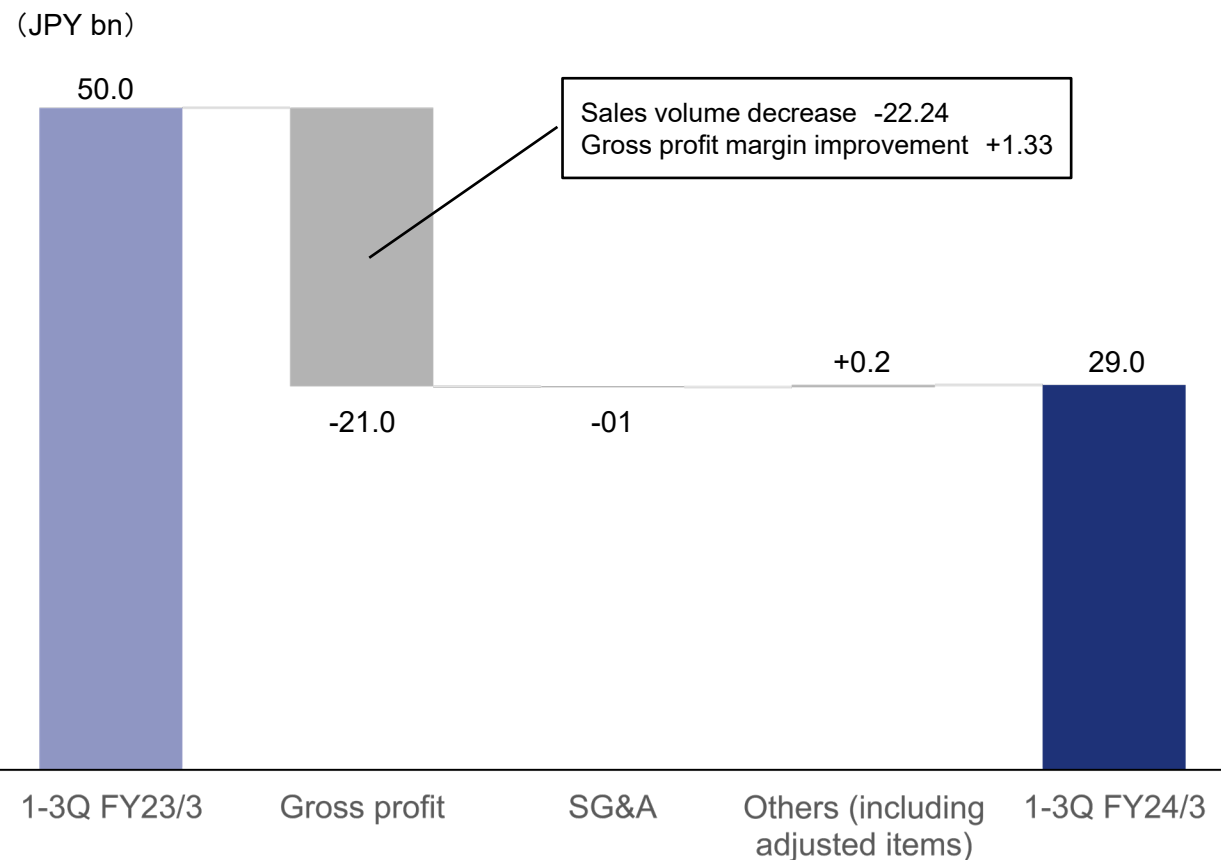
Revenue decreased by JPY54 bn YoY due to restrained investment in NAND.

The impact of a sales decrease was partially offset by an improvement in gross profit margin, and adjusted operating profit decreased by JPY20.9 bn YoY.

Revenue



Adjusted Operating profit



Income Statement, R&D Expenses, Capex and D&A expenses

(JPY mn)	FY23/3					FY24/3		
	1Q	2Q	3Q	4Q	Full year	1Q	2Q	3Q
Revenue	56,035	64,385	65,216	60,085	245,721	32,710	44,995	53,956
Gross profit	23,090	27,489	26,359	23,867	100,805	14,275	19,890	21,741
<i>Gross profit margin</i>	41.2%	42.7%	40.4%	39.7%	41.0%	43.6%	44.2%	40.3%
Adjusted operating profit	14,700	18,102	17,154	14,295	64,251	5,614	11,035	12,400
<i>Adjusted operating profit margin</i>	26.2%	28.1%	26.3%	23.8%	26.4%	17.2%	24.5%	23.0%
Adjusted net income	10,796	12,473	12,193	10,523	45,985	3,782	7,304	9,101
<i>Adjusted net income margin</i>	19.3%	19.4%	18.7%	17.5%	18.7%	11.6%	16.2%	16.9%
Operating profit	12,984	16,407	15,527	11,146	56,064	3,990	9,383	10,689
<i>Operating profit margin</i>	23.2%	25.5%	23.8%	18.6%	22.8%	12.2%	20.9%	19.8%
Income before income tax	12,901	16,429	15,667	10,898	55,895	3,727	9,145	10,742
<i>Income before income tax margin</i>	23.0%	25.5%	24.0%	18.1%	22.7%	11.4%	20.3%	19.9%
Net income	9,605	11,297	11,064	8,339	40,305	2,655	6,158	7,914
<i>Net income margin</i>	17.1%	17.5%	17.0%	13.9%	16.4%	8.1%	13.7%	14.7%
R&D expenses	2,688	3,293	2,912	3,532	12,425	2,932	3,023	3,062
Capital expenditures	736	2,853	2,151	828	6,568	5,077	2,071	10,478
Depreciation and amortization	2,529	2,563	2,600	2,612	10,304	2,637	2,671	2,792

Reconciliation of Adjusted Items

(JPY mn)	FY23/3					FY24/3		
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q	3Q
Operating profit	12,984	16,407	15,527	11,146	56,064	3,990	9,383	10,689
Other income	-30	-30	-191	-19	-270	-30	-110	-285
Other expenses	23	88	41	1,410	1,562	45	33	19
(Adjustments)								
Purchase price allocation amortization	1,592	1,593	1,592	1,592	6,369	1,592	1,592	1,593
Stand-alone related expenses	105	16	156	76	353	1	10	203
Stock-based compensation (except for performance-linked stock compensation)	26	28	29	90	173	16	127	181
Total adjustments	1,723	1,637	1,777	1,758	6,895	1,609	1,729	1,977
Adjusted Operating Profit	14,700	18,102	17,154	14,295	64,251	5,614	11,035	12,400
Net income	9,605	11,297	11,064	8,339	40,305	2,655	6,158	7,914
Other income	-30	-30	-191	-19	-270	-30	-110	-285
Other expenses	23	88	41	1,410	1,562	45	33	19
(Adjustments)								
Purchase price allocation amortization	1,592	1,593	1,592	1,592	6,369	1,592	1,592	1,593
Stand-alone related expenses	105	16	156	76	353	1	10	203
Stock-based compensation (except for performance-linked stock compensation)	26	28	29	90	173	16	127	181
Tax adjustment to total adjustments	-525	-519	-498	-965	-2,507	-497	-506	-524
Adjusted Net Income	10,796	12,473	12,193	10,523	45,985	3,782	7,304	9,101

Key Balance Sheet Items

(JPYmn)			FY23/4		FY24/4	
			End of 4Q	End of 1Q	End of 2Q	End of 3Q
Assets	Current	Cash and cash equivalents	106,053	94,493	87,550	86,498
	Assets	Trade and other receivables	47,477	28,967	33,588	37,219
		Inventories	67,197	80,273	86,283	86,820
		Other current assets	1,917	1,809	1,213	1,237
		Total Current assets	222,644	205,542	208,634	211,774
	Non-current	Property, plant and equipment	18,775	23,227	24,325	33,556
	Assets	Goodwill	59,065	59,065	59,065	59,065
		Intangible assets	62,968	61,420	59,941	58,475
		Other non-current assets	6,811	7,651	8,074	8,323
		Total non-current assets	147,619	151,363	151,405	159,419
Total Assets		370,263	356,905	360,039	371,193	

(百万円)			FY23/4		FY24/4	
			End of 4Q	End of 1Q	End of 2Q	End of 3Q
Liabilities	Current	Loans payable + Lease liability	6,596	6,582	7,298	7,256
	Liabilities	Trade and other payables	41,790	28,982	29,645	37,777
		Contract liabilities	28,918	32,068	29,354	24,427
		Others	20,873	13,293	14,461	14,238
		Total current liabilities	98,177	80,925	80,758	83,698
	Non-current	Loans payable + Lease liability	92,610	92,570	88,743	88,696
	Liabilities	Others	18,595	18,081	18,402	18,445
		Total non-current liabilities	111,205	110,651	107,145	107,141
	Total Liabilities		209,382	191,576	187,903	190,839
	Total Equity		160,881	165,329	172,136	180,354
Total Liabilities and Equity		370,263	356,905	360,039	371,193	

	FY23/3		FY24/4	
	End of 4Q	End of 1Q	End of 2Q	End of 3Q
Equity ratio	43.5%	43.5%	47.8%	48.6%
Debt equity ratio	0.6	0.6	0.6	0.5
Net cash (JPY mn)	6,847	-4,659	-8,491	-9,454

Cash Flow Statement

(JPY mn)

	FY23/3				FY24/3		
	1Q	2Q	3Q	4Q	1Q	2Q	3Q
CF from operating activities	- 1,950	22,120	- 3,351	13,174	- 7,365	- 2,030	2,443
CF from investing activities	- 982	- 1,657	- 2,069	- 3,117	- 5,278	- 2,037	- 3,321
Free CF	- 2,932	20,463	- 5,420	10,057	- 12,643	- 4,067	- 878
CF from financing activities	- 120	- 2,425	- 163	- 22,405	- 167	- 3,171	70
Cash and cash equivalents at beginning balance	108,399	106,464	124,198	118,403	106,053	94,493	87,550
Cash and cash equivalents at end of the quarter	106,464	124,198	118,403	106,053	94,493	87,550	86,498

Key Activities for 1-3Q FY2024/3

Business Activities

- Exhibited at semiconductor industry exhibitions held in various regions, including: “SEMICON® Japan” (December 2023), “SEMICON® Europa 2023”(November 2023), “SEMICON® Taiwan 2023”(September 2023), “SEMICON® West 2023”(July 2023) and “SEMICON® China 2023”(June 2023).
- Held the completion ceremony of the demonstration evaluation area of the Korean production base. (November 2023)
- KOKUSAI ELECTRIC is part of the Integrated Green-niX Consortium for Research and Human-Resource Development (Green-niX), which has been selected for the Ministry of Education, Culture, Sports, Science and Technology’s Initiatives to Establish Next-generation Novel Integrated Circuits Centers (X-nics). (July 2023)
- Received the 2023 EPIC Distinguished Supplier Award by Intel Corporation. (June 2023)
- Recognized in Customer Satisfaction Survey by TechInsights as one of “10 BEST Suppliers” for the 26th consecutive year and won “The BEST SUPPLIERS” award recognizing excellent semiconductor manufacturing equipment by product type. (May 2023)



Key Activities for 1-3Q FY2024/3

ESG Initiatives

- Formulated KOKUSAI ELECTRIC Group Sustainable Procurement Guidelines, dissemination and explanation to suppliers. (October 2023)
- Sponsored the “Owara Kaze no Bon” festival in Yatsuo, Toyama City, where the Toyama Technology & Manufacturing Center is located. (September 23)
- Received “Kurumin Certification” from the Minister of Health, Labour and Welfare, recognizing our initiatives to support childcare. (July 23)
- Held Open-Air Environmental Classes at nursery facilities as part of local contribution activities. (June 23)
- Enhanced the “Compliance Whistleblower System” on the company website to strengthen compliance in our supply chain. (June 23)
- Signed the Women’s Empowerment Principles (WEPs), which offer guidance to businesses actively promoting women’s empowerment in the workplace. (April 23)





About the KOKUSAI ELECTRIC Group

KOKUSAI ELECTRIC at a Glance

History

1949	Established "Kokusai Electric Co., Ltd."
2000	Kokusai Electric Co., Ltd., Hitachi Denshi and Yagi Antenna merged to form "Hitachi Kokusai Electric Inc."
2017	KKR joined as a shareholder through a takeover
2018	KOKUSAI ELECTRIC CORPORATION was formed through company split as a specialty manufacturer in semiconductor manufacturing equipment
2023	Listed on the TSE Prime Market

Overview of Financials (FY23/3)

Revenue	Gross Profit Margin	Adjusted Operating Profit Margin
JPY 245.7bn	41.0%	26.1%
CAGR of Revenue (FY18/3 – FY23/3)	Adjusted ROE	Equity Ratio
12.9%	28.6%	43.5%

Overview of Company

Company Name	KOKUSAI ELECTRIC CORPORATION
Category of Industry	Electric Appliances
Securities Code	6525
Fiscal Year Ending	March 31
Representative Director	Fumiyuki Kanai
Financial Accounting Standards	International Financial Reporting Standards (IFRS)
Number of Employees*1	Consolidated: 2,469, Non-consolidated: 1,127
Number of shares per unit	100
Recent Awards	



Intel EPIC Distinguished Supplier Award 2023



TechInsights 10 BEST Suppliers 2023

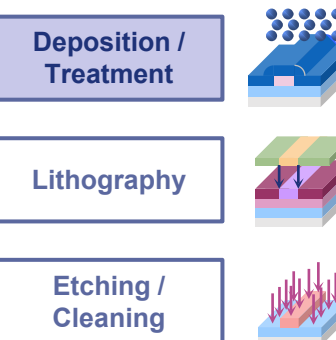


TSMC 2022 Excellent Performance Award

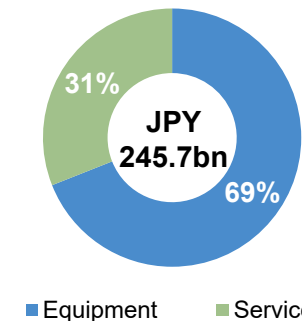
Overview of Business

Specialty manufacturer of semiconductor manufacturing equipment, with strengths in "Deposition" in the Front-end process

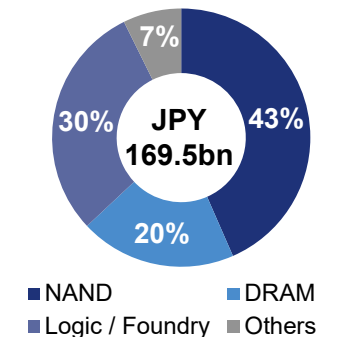
Key Business Areas in the Front-end Process



Revenue Breakdown by Business (FY23/3)



Revenue Breakdown by Application (FY23/3)



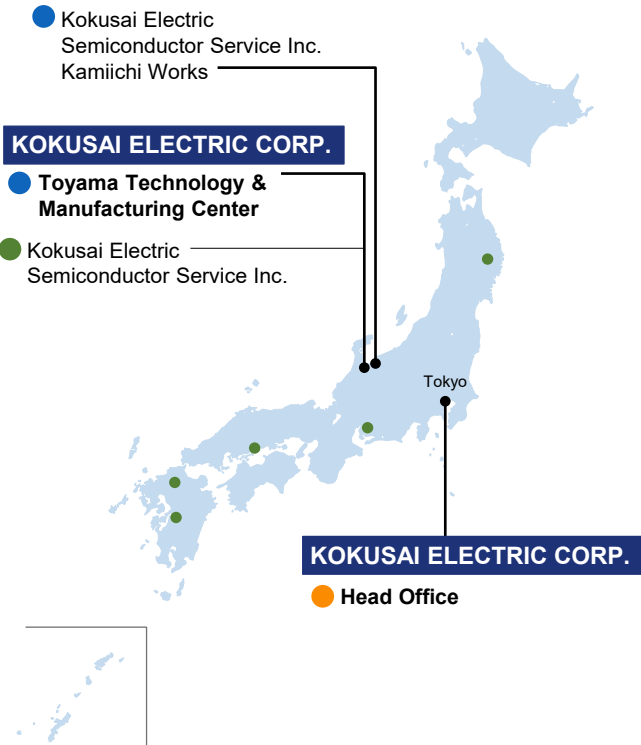
*1 As of September 30, 2023

Business Sites

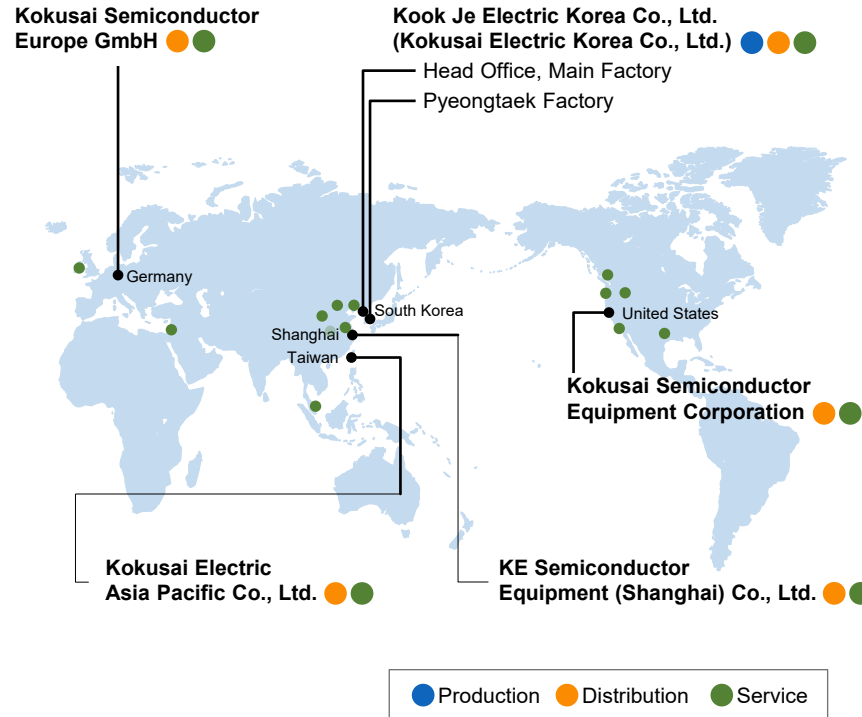
Owns manufacturing sites in Toyama and South Korea, and business sites in Asia, China, the United States, and Europe. With the start of operations at the new Toyama plant in fall of 2024, production and development capacity will expand significantly.

Group Network

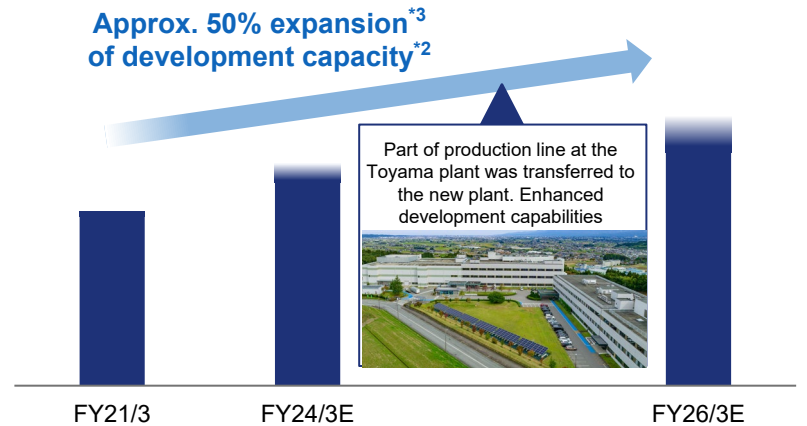
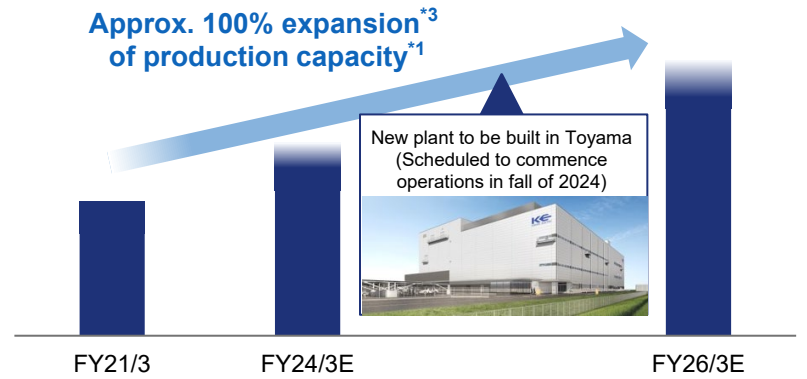
Sites in Japan



Overseas Sites



Capacity*1,2 of Production and Development



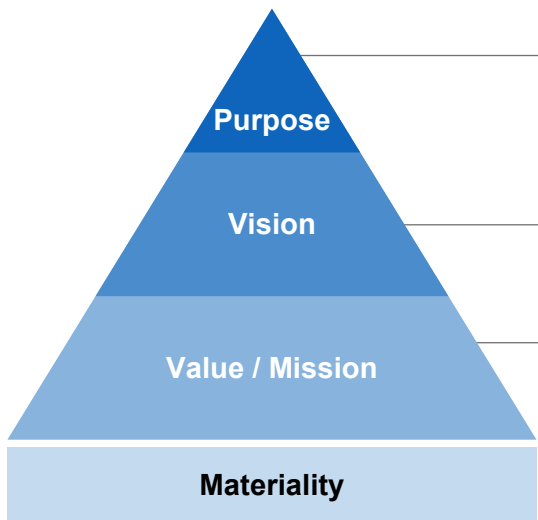
*1 Max. production volume per month *2 No. of evaluation equipment *3 In comparison to FY21/3

Mid- to Long-Term Management Policy

Based on the “KOKUSAI ELECTRIC Way” (corporate philosophy), pursue economic value and environmental and social value from both aspects of business activities and ESG initiatives, contribute to the achievement of SDGs, and continue to support a future where creation and innovation are born.

“KOKUSAI ELECTRIC Way”

KOKUSAI ELECTRIC Way



Purpose
Technology & Tai-wa for Tomorrow
 The KOKUSAI ELECTRIC Group supports a future where creativity and innovation are born out of Technology and Tai-wa.

Vision
Your Trusted Partner To Bring Technology Dreams to Life

Value / Mission
Our Technology

- Refine technology
- Create technology
- Advance technology
- Captivate with technology

Our Tai-wa

- Tai-wa with cutting edge technology
- Tai-wa with the natural environment
- Tai-wa with social issues
- Tai-wa with ourselves

Sustainability management

Contribute to the realization of a sustainable society and the achievement of SDGs



Expanding corporate value and sustainable development



Our Business and Major Products

Business Profile and Revenue Breakdown (FY23/3)

Equipment (69%)

Batch Deposition

Batch ALD

Worldwide Market Share No.1 (CY2022)*1

- Batch deposition equipment that can process dozens or more wafers at once and compatible to ALD technology. Due to semiconductor devices becoming more complex, demand for more difficult and high-quality deposition has expanded the need for ALD.
- ALD is abbreviation for Atomic Layer Deposition. We refer to a technique for thin-film deposition at an atomic layer level involving a process of cyclical supply of multiple gases as "ALD."

Batch CVD

- CVD is abbreviation for Chemical Vapor Deposition. Multiple gases are simultaneously flowed into a chamber, react in the gas phase. We mainly focus on Low Pressure CVD.

Treatment

Worldwide Market Share

No.2 (CY2022)*2

- Treatment equipment improves film properties by applying plasma and heat on thin film to remove impurities from film and stabilize particles.
- As semiconductor devices have become more complex in recent years, demand has grown for treatment with excellent isotropy and step coverage.
- Demand for treatment in low-temperature environments has grown as well.

Service (31%)

- After-sales service for semiconductor manufacturing equipment sold by our group. ("Parts Sales", "Maintenance", "Repair", "Moving and Modifying Equipment" and "Legacy Equipment Sales")
- In Parts Sales and Maintenance, steady > around 10% YoY growth of installed base in FY17/3-FY23/3, contributing to stable and recurring service revenue growth.
- With "Design for Service Business" concept, we aim to provide higher value-added services.

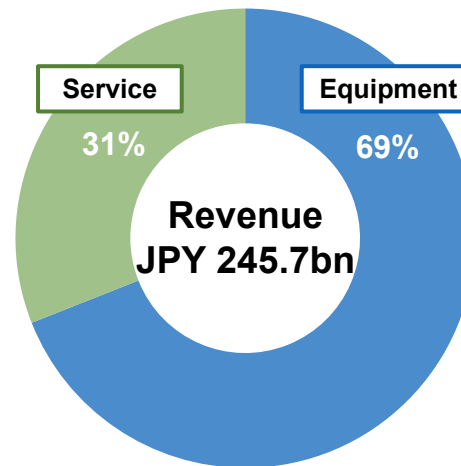
Parts Sales

Maintenance

Repair

Moving and Modifying Equipment

Legacy Equipment Sales



Major Products

Large batch deposition "AdvancedAce®-300"



- Achieved high productivity and high quality deposition.
- Compatible with technology including batch ALD, batch CVD, oxidation, diffusion and steady annealing.

Mini batch deposition "TSURUGI-C2® 劔®"



- Capable of both highly difficult deposition and high productivity on next-generation devices.
- Compatible with thin film formation processes such as the latest batch ALD technology.

Single-wafer treatment "MARORA®"



- Improves film properties by applying plasma and heat
- Able to treat complex semiconductor shapes with high productivity and quality.

Single-wafer treatment "TANDUO®"



- Improves film properties by applying heat on thin film.
- Capable of annealing in low temperature.

*1 We classified and described by business because the Group has a single segment. *2 Source: TechInsights Manufacturing Analysis Inc.(VLSI) "TI_ALD Tools_YEARLY" 2023 (April)

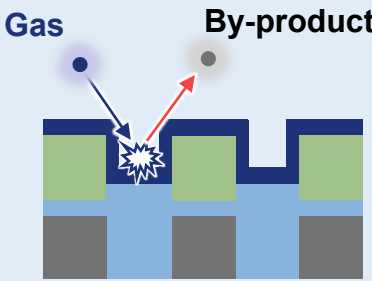
*3 We define "RTP and Oxidation / Diffusion" by Gartner's WFE segment as "Treatment", Source: "Gartner®, Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2022, Bob Johnson, Gaurav Gupta, Menglin Cao, 17 April, 2023")

Batch Deposition Equipment: Accelerating Batch ALD Demand

As devices become more complex, **productivity challenges** have become more apparent and **highly difficult film deposition** turned critical.

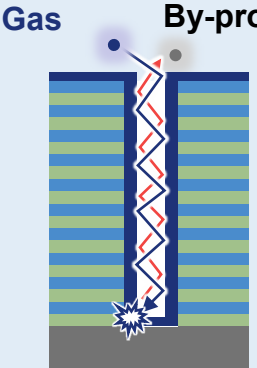
Batch ALD[※] is the optimal solution combining **high productivity** with **highly difficult film deposition**.

Deposition onto 2D NAND



- Reduced gas travel distance due to the large gas reaction space.
- Structure that requires small surface area for deposition and low aspect ratio.

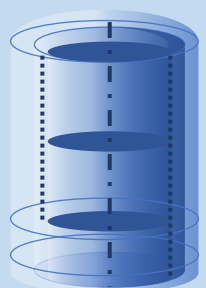
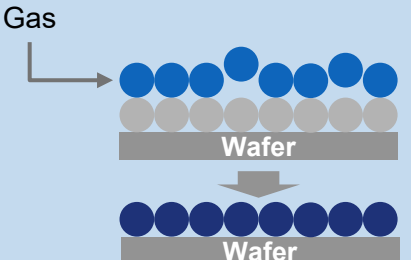
Deposition onto 3D NAND



- Increased time required for deposition as larger surface area and longer gas travel distance is required.
- Raised deposition difficulty due to expanded surface area and increased aspect.

[※]We refer to a technique for thin-film deposition at an atomic layer level involving a process of cyclical supply of multiple gases as "ALD".

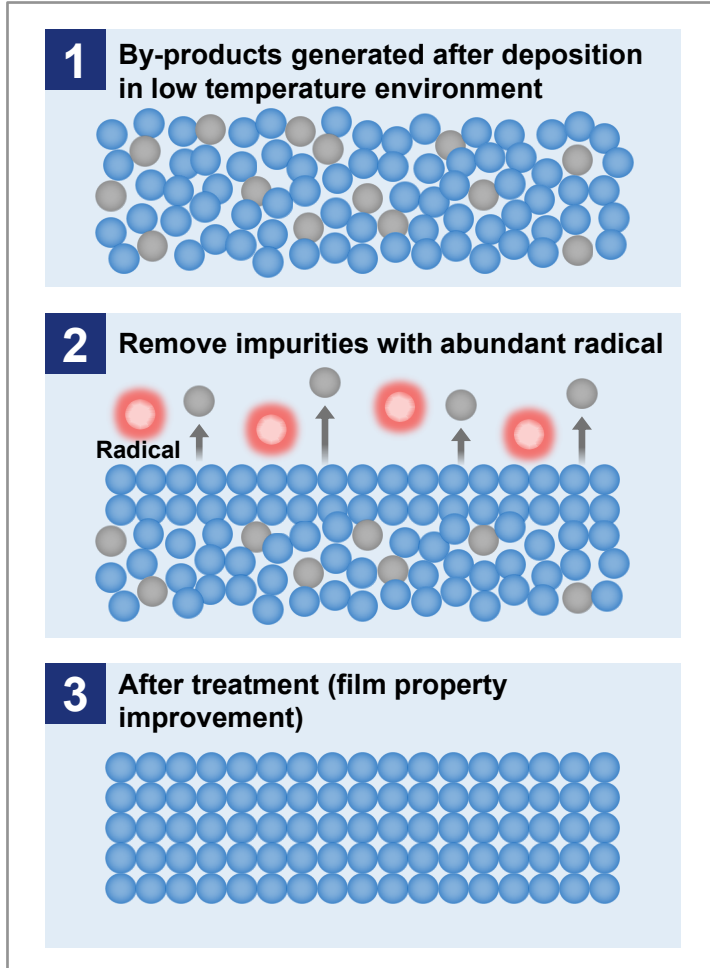
Increased demand for batch ALD that can achieve both high productivity and highly difficult film deposition

Batch Deposition High Productivity	×	ALD Technology High Quality
Process dozens or more wafers simultaneously 		Gas reacts on the surface  <i>for illustrative purposes</i>

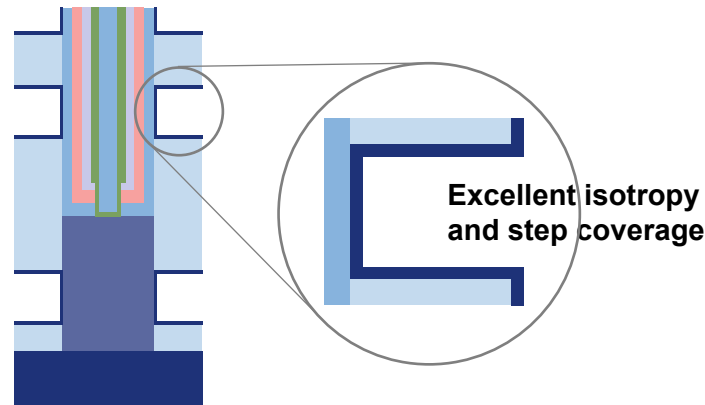
Treatment Equipment: Demand Expanding as well

Treatment (film property improvement) in a wide range of temperatures by plasma and heating is possible.

A solution that achieves high productivity with excellent isotropy and step coverage.

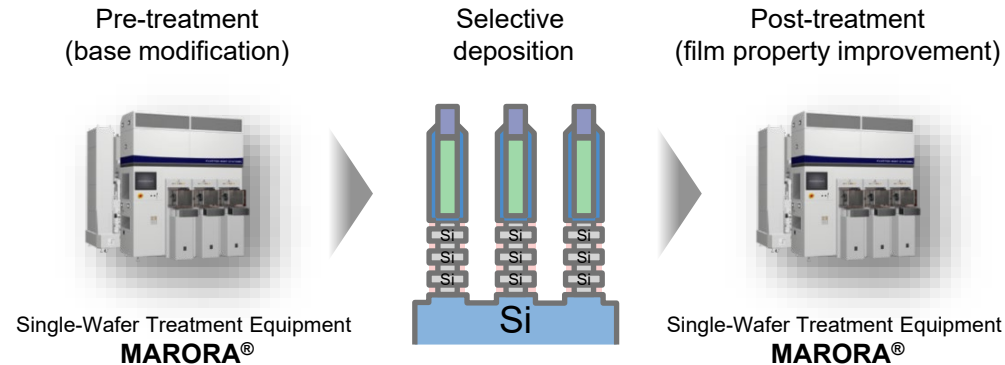


Treatment on NAND/DRAM (Film Property Improvement)



- Improved film quality by after-deposition process with abundant radical produced by our unique plasma method.
- High productivity and quality treatment (film property improvement) for complex device structures.
- Expanding applicable area from NAND to DRAM.

Treatment on Logic (Film Property Improvement)



- By combining MARORA® and selective deposition, the etching process is shortened and damage to the film is avoided.
- Ideal selective deposition is possible by pretreatment (base modification) and post-treatment (film property improvement) by MARORA®.

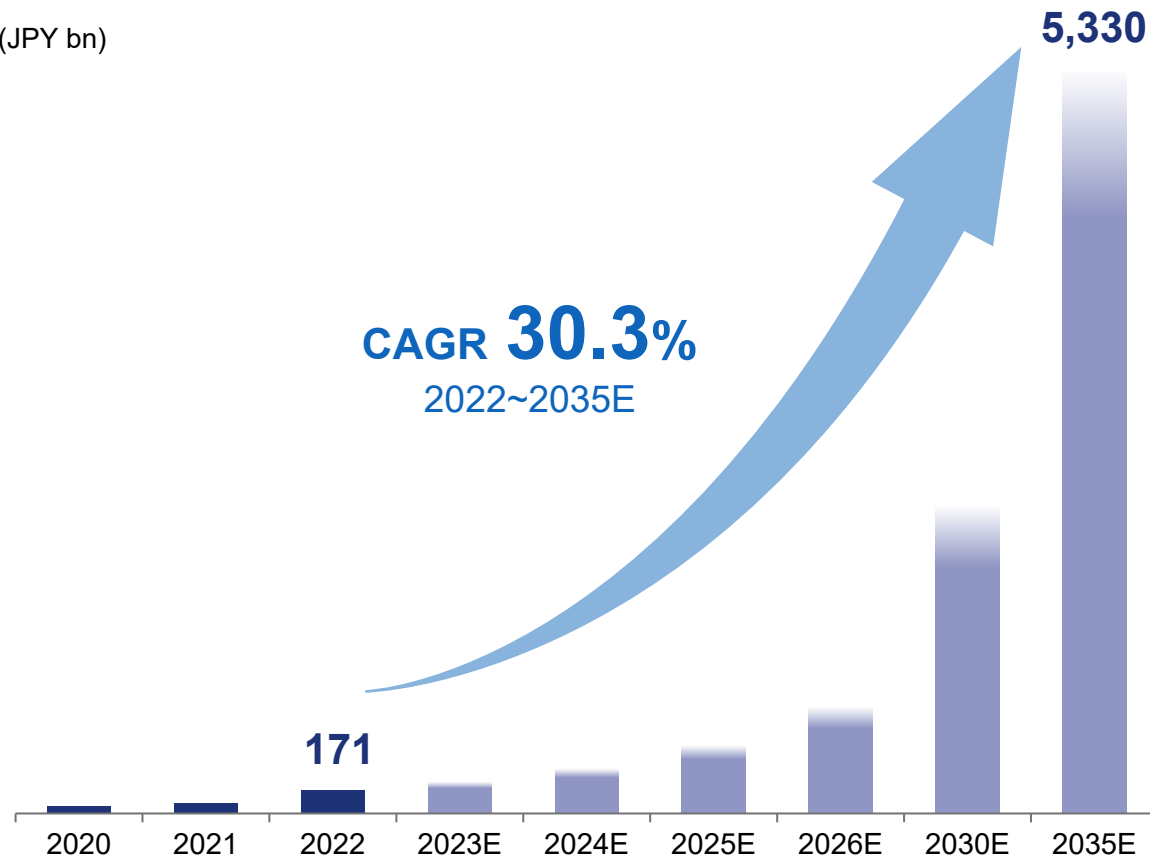
Service Business: Rapid Expansion of SiC Power Device Equipment

Sales of 150/200mm equipment for SiC power devices have increased.

We aim to further expand the business by **launching new products of high-temp anneal**.

SiC Power Device Market*1

(JPY bn)



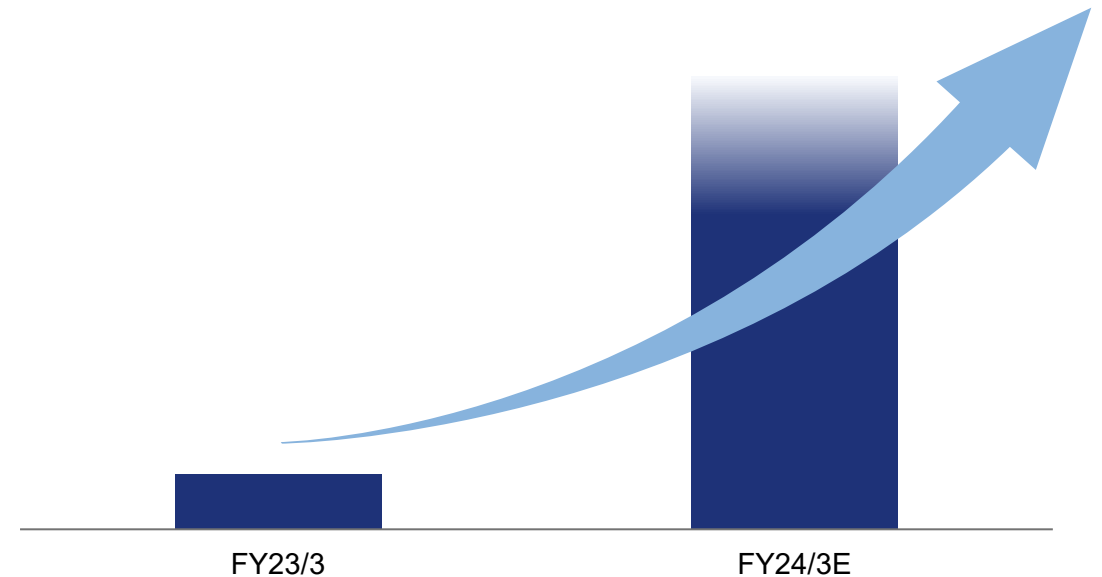
CAGR **30.3%**
2022~2035E

Our Revenue from SiC Power Devices Equipment

New Equipment to be introduced

High Temp Activation Anneal (~2,000C)

- Adopted a new heating system



*1 FUJI KEIZAI CO., LTD. "2023 Current status and future outlook of markets for power devices and power electronics-related equipment"

Sustainability Management: Materiality

Promoting activities to solve issues based on five materialities. The Sustainability Committee regularly reviews materiality and follows up on progress against activity plans and KPIs for each issue.

Materiality / Priority Themes	Activity Items
■ Contribution to society through creativity and innovation	
Creation of new technologies and new products	Development of advanced underlying technologies and promotion of joint development with external institutions
Enhancement of customer satisfaction	Provision of products, technologies, and services attuned to the VOC ¹
Enhancement of economic performance	Improvement of business results, investment, etc. and confirmation of the return on investment
■ Creation of a sustainable society and conservation of the global environment	
Reduction of environmental impact	Reduction of greenhouse gas emissions
	Thorough management of energy
	Thorough management of waste and hazardous substances
	Thorough management of water and wastewater
Contribution to the environment through technology and products	Development of environmentally friendly products
Promotion of sustainable procurement	Strengthening of supply chain management

1: VOC: Voice of Customer
2: SCR: Super Clean Room

Materiality / Priority Themes	Activity Items
■ Human resources management as a source of innovation	
Respect for diversity of human assets	Promotion of diversity & inclusion
Development of human resources who learn on their own, think on their own and act on their own	Development of global human resources and securing of excellent human resources
Maintenance and enhancement of health and safety	Strengthening of occupational health and safety management
■ Strengthening of the governance system to realize sustainability management	
Strengthening of governance	Strengthening of corporate governance
	Thorough compliance
Thorough management of major business risks	Strengthening of SCR ² / CR risk countermeasures and BCP Strengthening of information security risk countermeasures and BCP
Ensuring of management transparency	Timely and appropriate disclosure to internal and external parties
■ Respect and consideration of human rights	
Respect for human rights	Promotion of the understanding and awareness of employees about human rights



Mid- to Long-Term Business Strategy and Objectives

Mid- to Long-Term Objectives

We aim to expand R&D investments and enhance manufacturing and development systems to increase sales growth and profit expansion for the sake of mid- to long-term growth.

	FY22/3	FY23/3	Mid- to Long-Term Objectives
Revenue	JPY245.4 bn	JPY245.7 bn	JPY300-330 bn
<i>Equipment (% Revenue)</i>	74%	69%	70-75%
<i>Service (% Revenue)</i>	26%	31%	25-30%
Gross profit	43.6%	41.0%	> 43.0%
R&D expenses ratio (vs revenue)	4.0%	5.1%	around 6%
Adjusted operating profit margin	32.4%	26.1%	28-30%
(Ref.) WFE assumption	USD90 bn (CY2021)	USD100 bn (CY2022)	USD110-120 bn

Shareholder Return Policy

We aim to provide high shareholder returns, placing top priority on growth investments.

Plan to pay dividends with a target of the consolidated dividend payout ratio of 20% to 30%

- Stable, continuous and proactive return of profits to our shareholders to be an important management issue, while securing the internal reserves necessary for future business development.

Plan to conduct further shareholder return including share buyback once our net cash becomes positive

- Once our net cash becomes positive, we aim to allocate an amount equivalent to approx. 70% of free cash flow after the redemption of interest-bearing debt towards dividends and share buyback, in order to further improve shareholder profits and capital efficiency.

