



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

November 9, 2023

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.



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: 2,473, Non-consolidated: 1,129
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

Deposition / Treatment



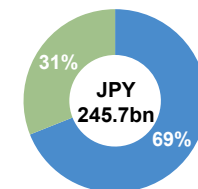
Lithography



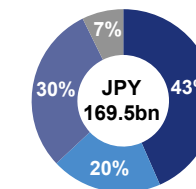
Etching / Cleaning



Revenue Breakdown by Business (FY23/3)



Revenue Breakdown by Application (FY23/3)



■ Equipment ■ Service

■ NAND ■ DRAM
■ Logic / Foundry ■ Others

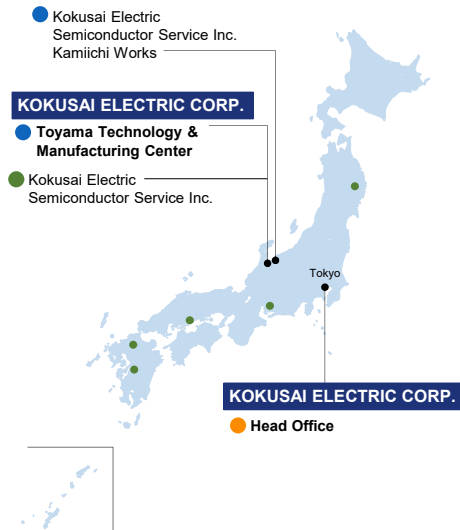
*1 As of August 31, 2023

Business Sites

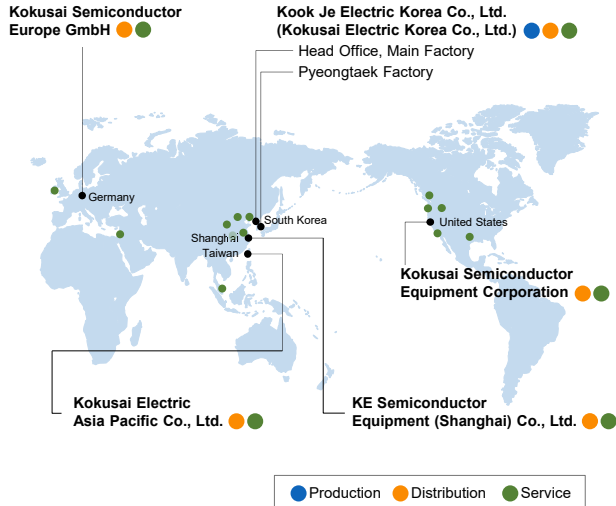
Owns manufacturing sites in Toyama and South Korea, and business sites in Asia, China, the United States, and Europe. With the start of operations at the new Toyama plant in fall of 2024, production and development capacity will expand significantly.

Group Network

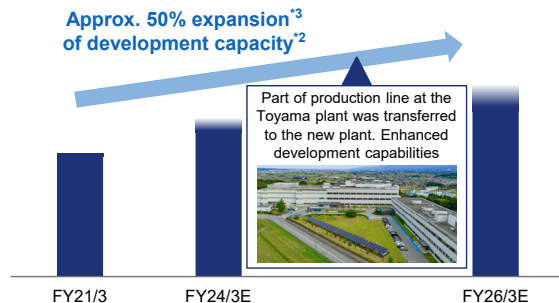
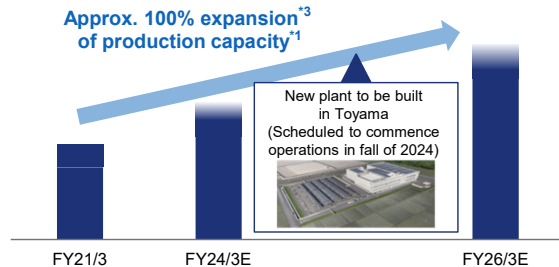
Sites in Japan



Overseas Sites



Capacity*^{1,2} of Production and Development



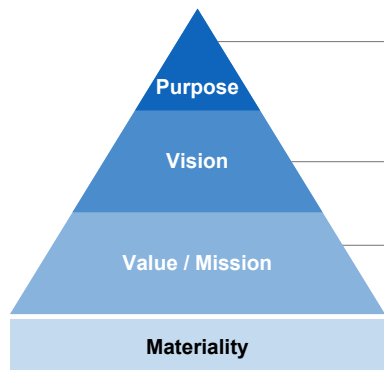
*1 Max. production volume per month *2 No. of evaluation equipment *3 In comparison to FY21/3

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.

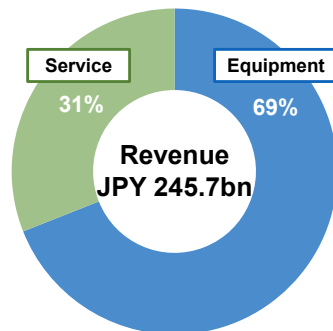
Parts Sales

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[®] 翺[®]"



- 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: Technights Manufacturing Analysis Inc. (VLSI) "TL_ALD Tools_YEARLY" 2023 (April)

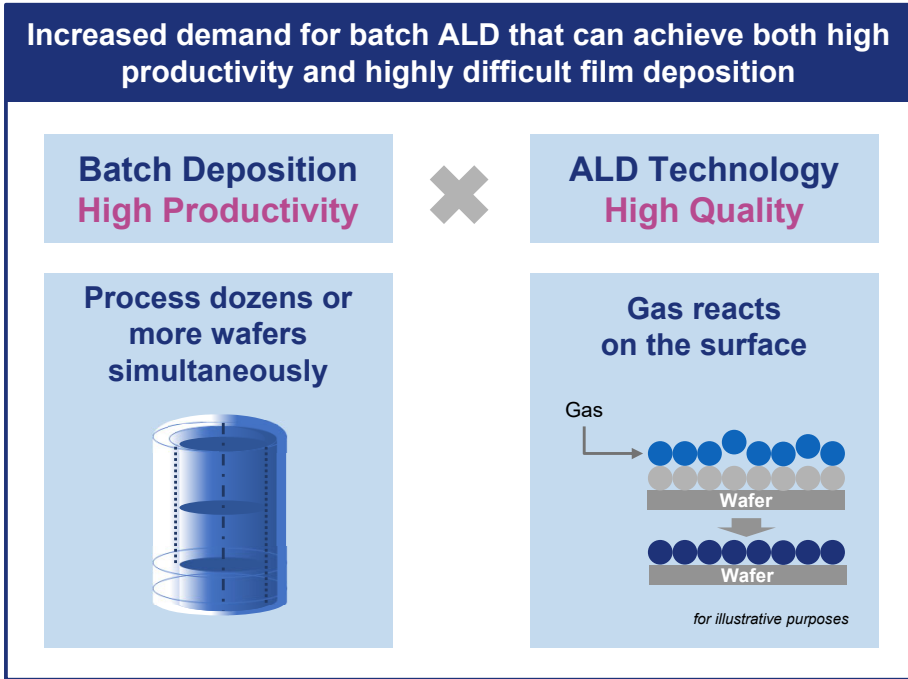
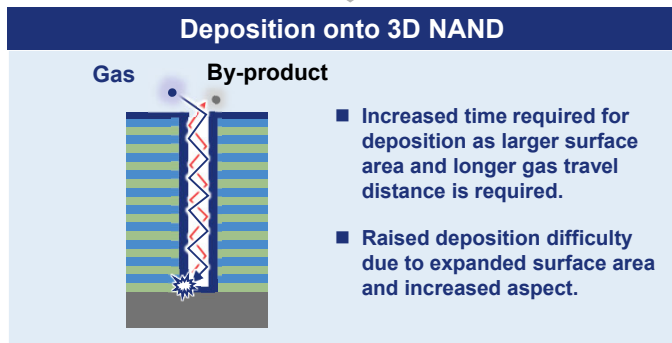
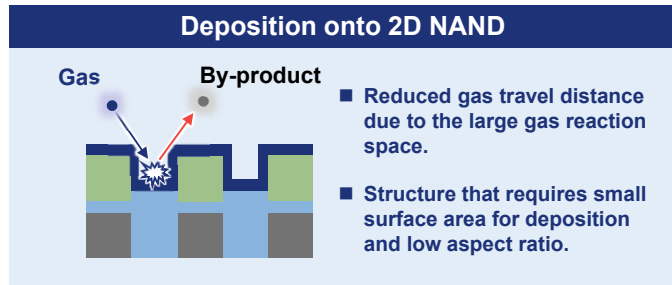
^{*3} We define "RTP and Oxidation / Diffusion" by Gartner's WFE segment as "Treatment", Source: "Market Share Semiconductor Wafer Fab Equipment, Worldwide, 2022, Bob Johnson et al., published April 17, 2023"

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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**.



Treatment Equipment: Demand Expanding as well

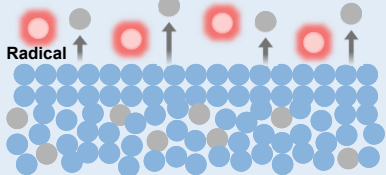
Treatment (film property improvement) in a wide range of temperatures by plasma and heating is possible.

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

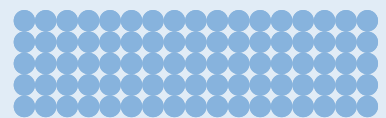
1 By-products generated after deposition in low temperature environment



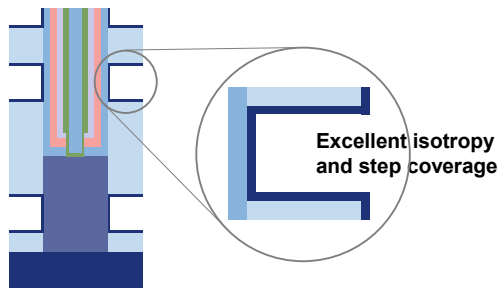
2 Remove impurities with abundant radical



3 After treatment (film property improvement)



Treatment on NAND/DRAM (Film Property Improvement)



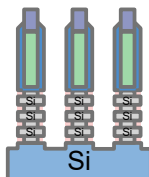
- Improved film quality by after-deposition process with abundant radical produced by our unique plasma method.
- High productivity and quality treatment (film property improvement) for complex device structures.
- Expanding applicable area from NAND to DRAM.

Treatment on Logic (Film Property Improvement)

Pre-treatment
(base modification)

Selective
deposition

Post-treatment
(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®.

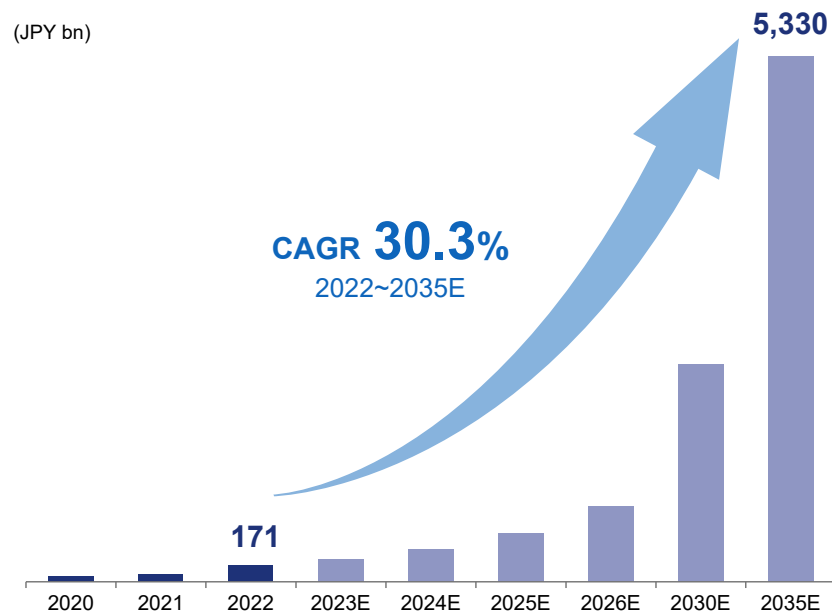
Service Business: Rapid Expansion of SiC Power Device Equipment

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)



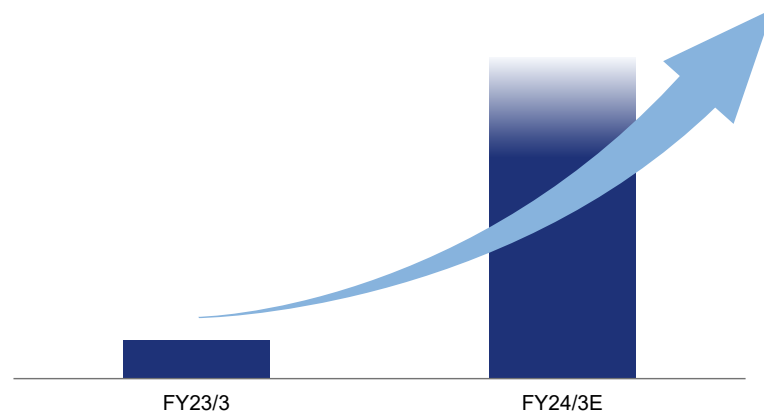
*1 FUJII KEIZAI CO., LTD. *2023 Current status and future outlook of markets for power devices and power electronics-related equipment*

Our Revenue from SiC Power Devices Equipment

New Equipment to be introduced

High Temp Activation Anneal (~2,000C)

- Adopted a new heating system





2Q FY24/3 Consolidated Financial Summary

Consolidated Results for 2Q FY24/3

- **Semiconductor devices inventory adjustments are progressing, and the market bottomed out. Some semiconductor device manufacturers continue to restrain investment.**
- **Our 1H results saw a decrease in revenue and profits, but 2Q results improved significantly QoQ.**

Consolidated Earnings Forecast for FY24/3

- 1Q was sluggish; recovery expected to start in 2Q with further rebound anticipated in 3Q and 4Q. Robust investment for mature nodes to support our revenue. No changes to the previous forecast.

Medium- to Long-term Business Strategies and Objectives

- We continue R&D investment and Capex for medium- to long-term growth, to respond to the changes in the market environment and customer needs and further expand our business.

Consolidated Results Summary

The decrease in revenue and profit continued from 1Q, affected by the restrained investment by semiconductor device manufacturers. However, 2Q results improved significantly QoQ.

Gross profit margin improved to 44.0% for 1H.

(JPY bn)	FY23/3			FY24/3					
	1Q	2Q	1H	1Q	2Q	YoY	QoQ	1H	YoY
Revenue	56.0	64.4	120.4	32.7	45.0	-30.1%	+37.6%	77.7	-35.5%
Gross profit	23.1	27.5	50.6	14.3	19.9	-27.6%	+39.3%	34.2	-32.5%
<i>Gross profit margin</i>	41.2%	42.7%	42.0%	43.6%	44.2%	+1.5pts	+0.6pts	44.0%	+2.0pts
Adjusted operating profit	14.7	18.1	32.8	5.6	11.0	-39.0%	+96.6%	16.6	-49.2%
<i>Adjusted operating profit margin</i>	26.2%	28.1%	27.2%	17.2%	24.5%	-3.6pts	+7.3pts	21.4%	-5.8pts
Adjusted net income	10.8	12.5	23.3	3.8	7.3	-41.4%	+93.1%	11.1	-52.4%
<i>Adjusted net income margin</i>	19.3%	19.4%	19.3%	11.6%	16.2%	-3.2pts	+4.6pts	14.3%	-5.0pts
Operating profit	13.0	16.4	29.4	4.0	9.4	-42.8%	+135.2%	13.4	-54.5%
<i>Operating profit margin</i>	23.2%	25.5%	24.4%	12.2%	20.9%	-4.6pts	+8.7pts	17.2%	-7.2pts
Income before income tax	12.9	16.4	29.3	3.7	9.1	-44.3%	+145.4%	12.9	-56.1%
<i>Income before income tax margin</i>	23.0%	25.5%	24.4%	11.4%	20.3%	-5.2pts	+8.9pts	16.6%	-7.8pts
Net income	9.6	11.3	20.9	2.7	6.2	-45.5%	+131.9%	8.8	-57.8%
<i>Net income margin</i>	17.1%	17.5%	17.4%	8.1%	13.7%	-3.8pts	+5.6pts	11.3%	-6.1pts
R&D expenses	2.7	3.3	6.0	2.9	3.0	-8.2%	+3.1%	6.0	-0.4%
Capital expenditures	0.7	2.9	3.6	5.1	2.1	-27.4%	-59.2%	7.1	+99.2%
Depreciation & amortization	2.5	2.6	5.1	2.6	2.7	+4.2%	+1.3%	5.3	+4.2%

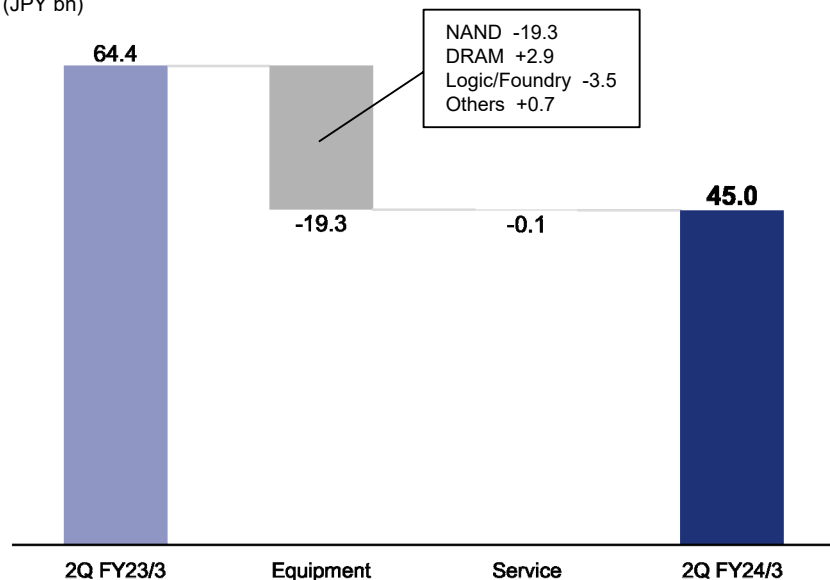
2Q FY2024/3 Results: Factors for Changes

Revenue decreased by JPY19.4 bn YoY due to a decline of equipment revenue from investment restraints by some device manufacturers.

A decline in equipment revenue led to a decrease in gross profit margin, with adjusted operating profit down JPY7.1 bn YoY.

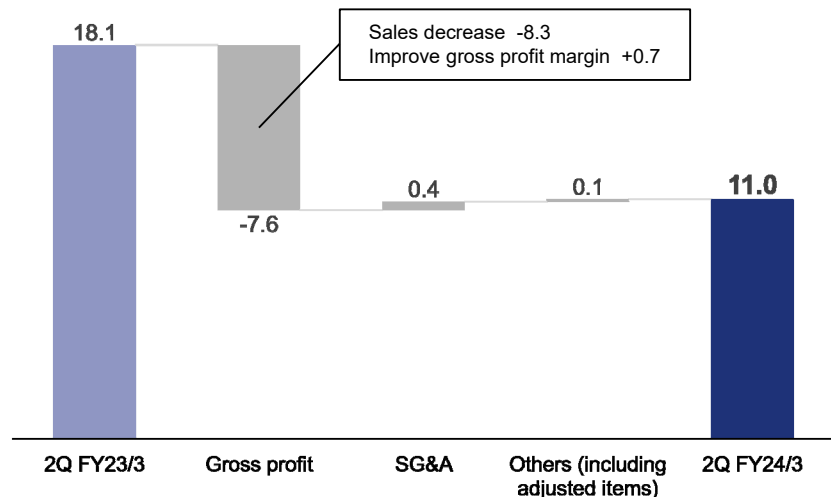
Revenue

(JPY bn)



Adjusted Operating Profit

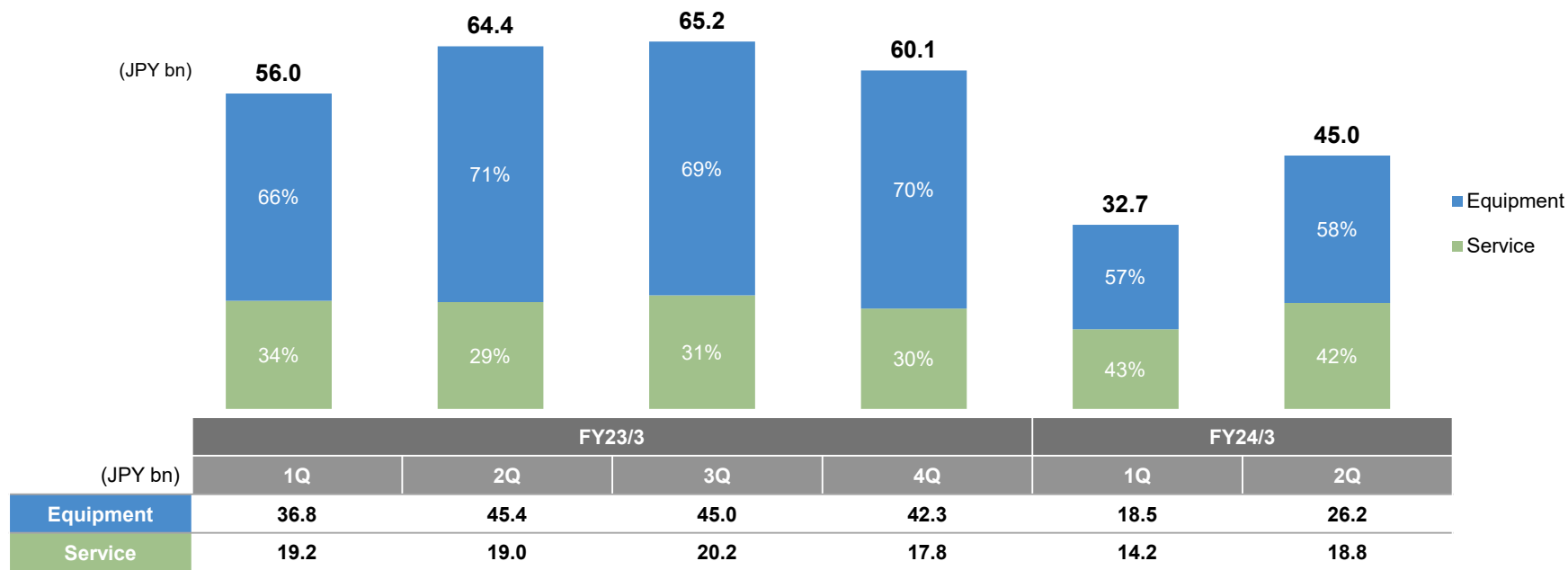
(JPY bn)



Revenues by Business

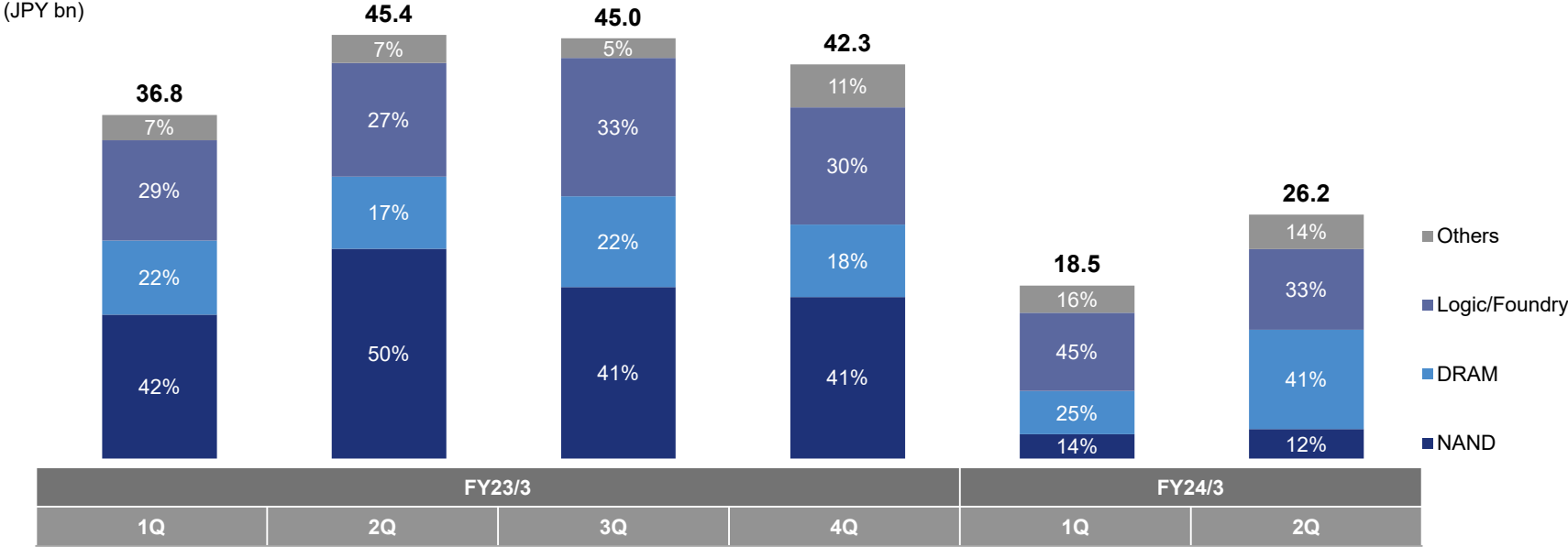
FY23/3 revenue composition by business consists of approx. 70% equipment and approx. 30% service.

For FY24/3, while equipment revenue is decreasing, the sales composition of service is increasing due to continued strong performance of service.



Revenues by Application (Equipment only)

FY23/3 revenue composition by application consists of approx. 43% NAND, approx. 20% DRAM, approx. 37% Logic and others. For FY24/3, decrease in NAND revenue will result in increased revenue composition ratio for Logic and others.

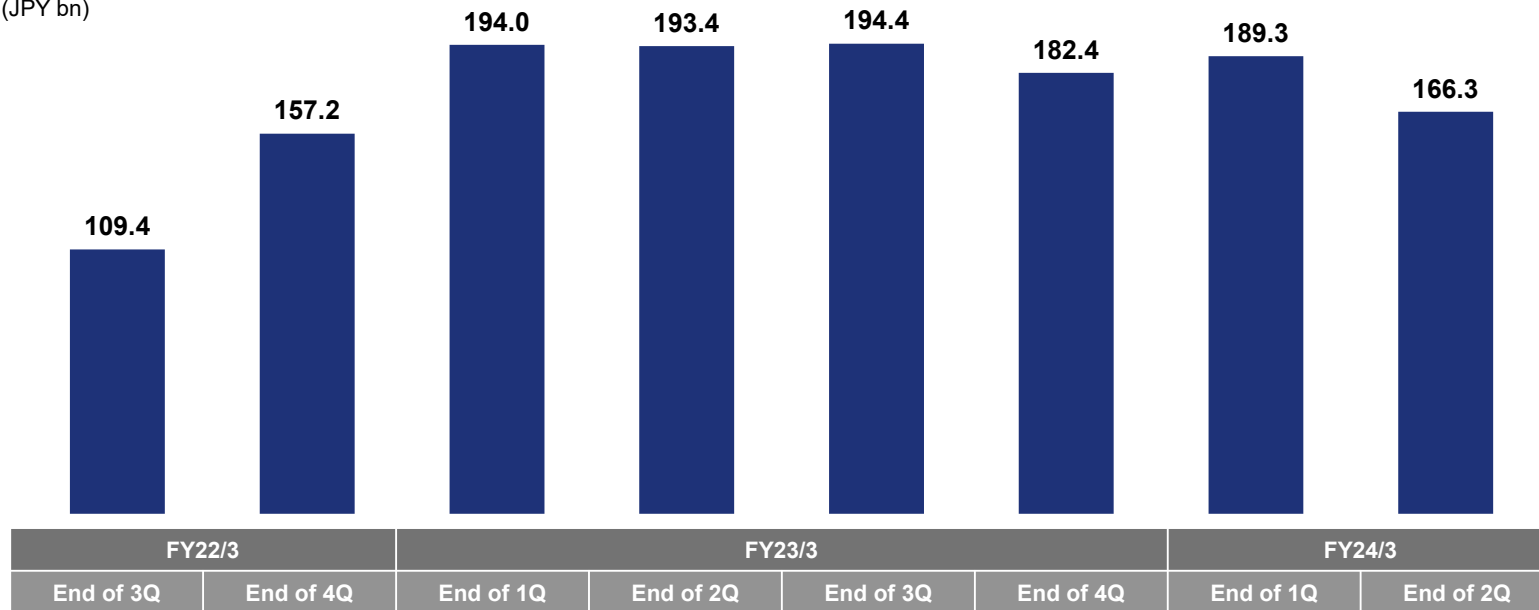


Trends in Order Backlog

Long lead times projects have begun to turn into revenue, and the order backlog started to return to normal levels.

For example, the order backlog decreased to JPY166.3 bn at the end of 2Q.

(JPY bn)

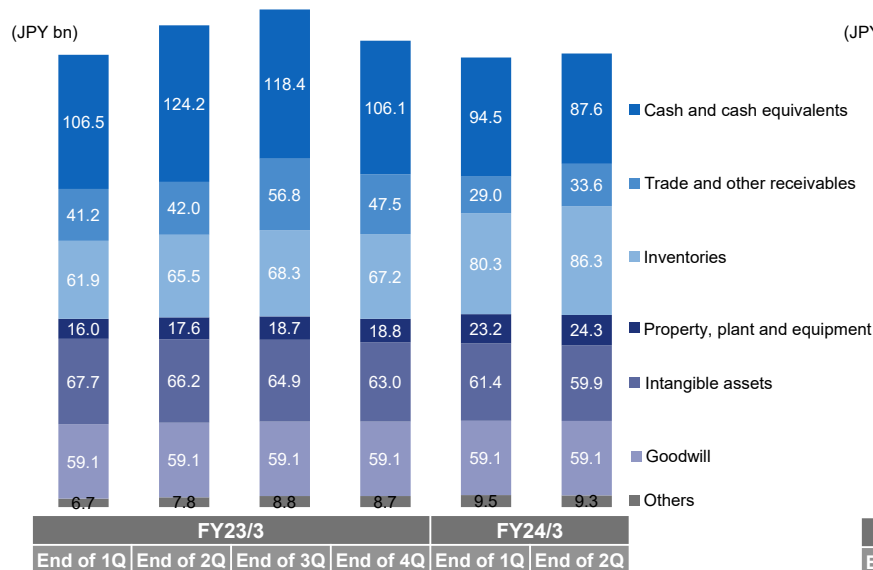


Balance Sheet

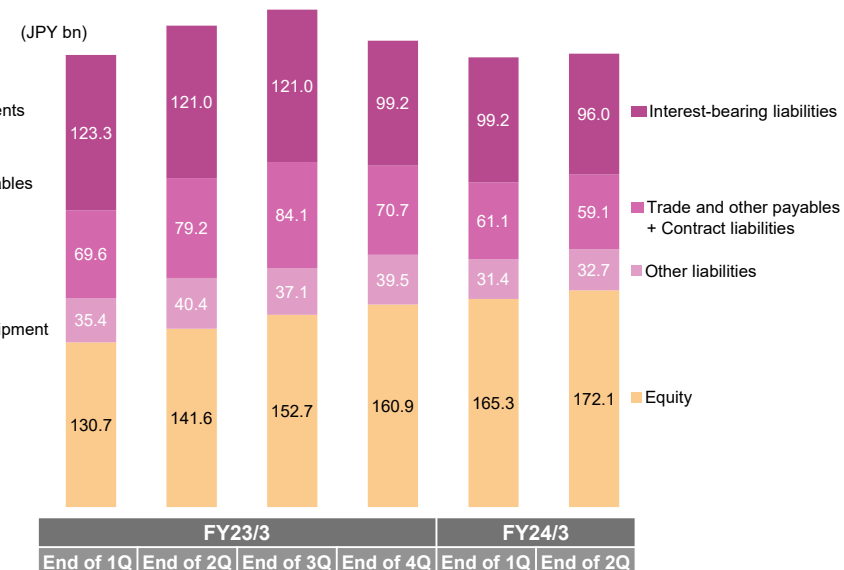
Total assets decreased by JPY10.2 bn from the end of FY23/3, mainly due to decreases in cash and cash equivalents, and trade and other receivables.

Total liabilities decreased by JPY21.5 bn from the end of FY23/3, mainly due to decrease in trade and other payables, etc.

Asset



Liabilities · Equity

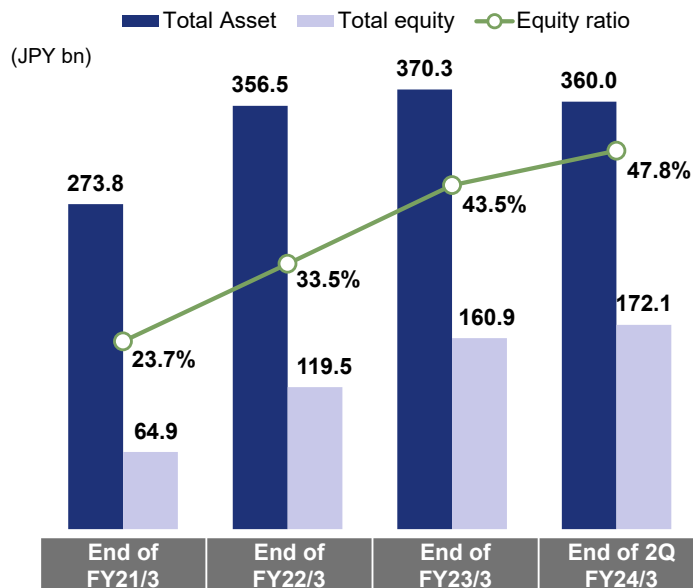


Equity Ratio / Cash and Cash Equivalents / Interest-bearing Liabilities

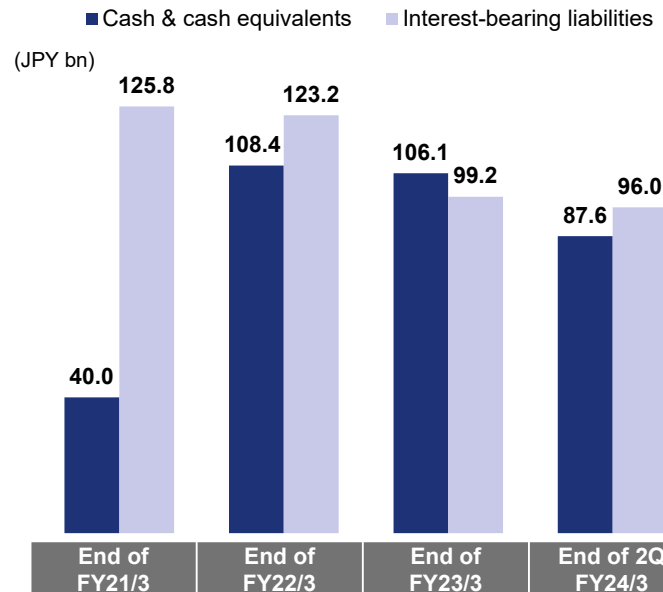
The equity ratio increased to 47.8% as of the end of 2Q.

Interest-bearing liabilities has been decreasing, having achieved a net cash position as of the end of FY22/3. For FY24/3, operating cash flows have deteriorated temporarily, resulting in net debt of JPY8.5 bn as of the end of 2Q.

Total Asset / Total Equity / Equity Ratio

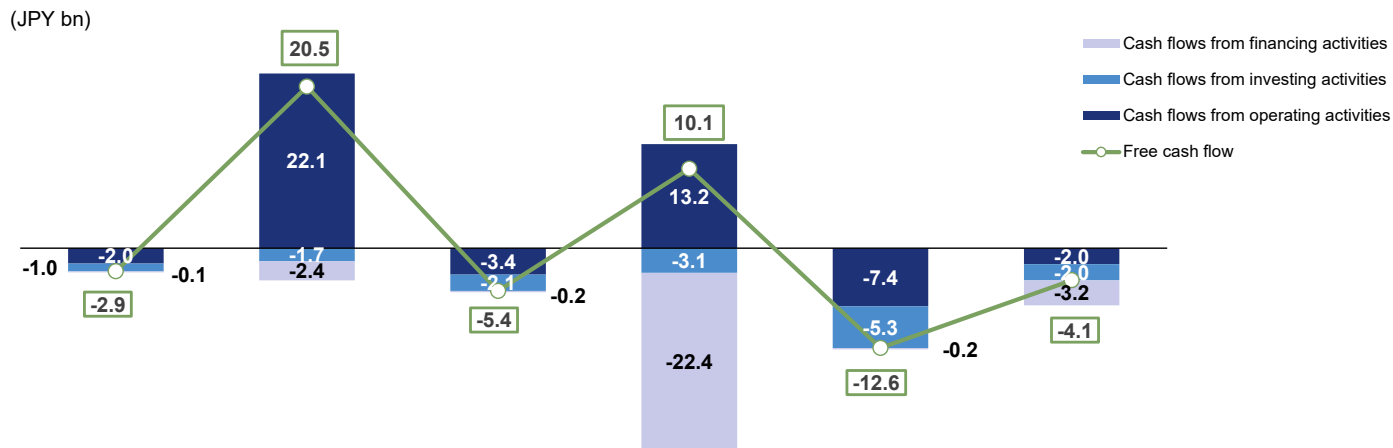


Cash and Cash Equivalents / Interest-bearing Liabilities



Cash Flows

For FY24/3, the decrease in trade and other payables and quarterly profits resulted in a decrease in operating cash flow. The balance of cash and cash equivalents remained high at the end of 2Q.



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

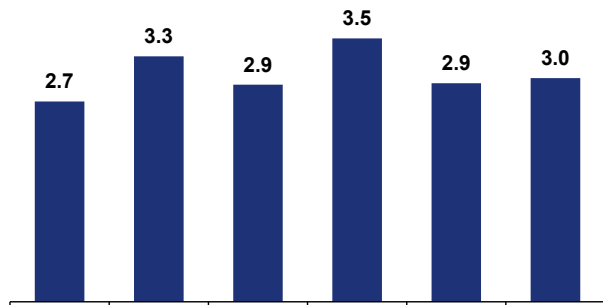
R&D Expenses / Capital Expenditure

R&D expenses are increasing gradually due to the investment in next-generation product development.

Capex has increased compared to previous terms due to new factory construction and demonstration room expansion.

R&D Expenses

(JPY bn)



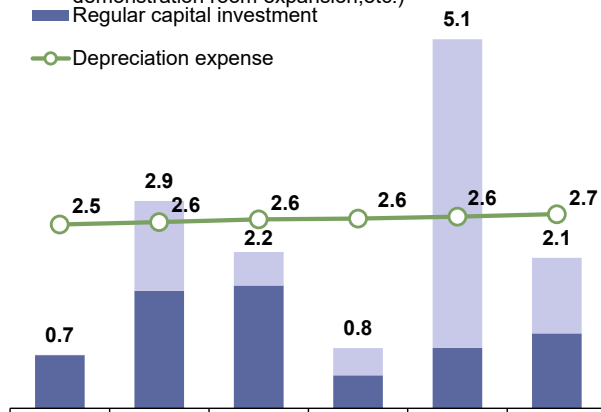
(JPY bn)

	FY23/3				FY24/3	
	1Q	2Q	3Q	4Q	1Q	2Q
R&D expenses	2.7	3.3	2.9	3.5	2.9	3.0
<i>Ratio to sales revenue</i>	<i>4.8%</i>	<i>5.1%</i>	<i>4.5%</i>	<i>5.9%</i>	<i>9.0%</i>	<i>6.7%</i>

Capital Expenditures

(JPY bn)

- Large-scale capital investment (new factory construction, demonstration room expansion, etc.)
- Regular capital investment
- Depreciation expense



(JPY bn)

	FY23/3				FY24/3	
	1Q	2Q	3Q	4Q	1Q	2Q
Capex	0.7	2.9	2.2	0.8	5.1	2.1
<i>Ratio to sales revenue</i>	<i>1.3%</i>	<i>4.4%</i>	<i>3.3%</i>	<i>1.4%</i>	<i>15.5%</i>	<i>4.6%</i>



Consolidated Earnings Forecast for FY24/3

Consolidated Results for 2Q FY24/3

- Semiconductor devices inventory adjustments are progressing, and the market bottomed out. Some semiconductor device manufacturers continue to restrain investment.
- Our 1H results saw a decrease in revenue and profits, but 2Q results improved significantly QoQ.

Consolidated Earnings Forecast for FY24/3

- 1Q was sluggish; recovery expected to start in 2Q with further rebound anticipated in 3Q and 4Q. Robust investment for mature nodes to support our revenue. No changes to the previous forecast.

Medium- to Long-term Business Strategies and Objectives

- We continue R&D investment and Capex for medium- to long-term growth, to respond to the changes in the market environment and customer needs and further expand our business.

FY2024/3 Earnings Forecast

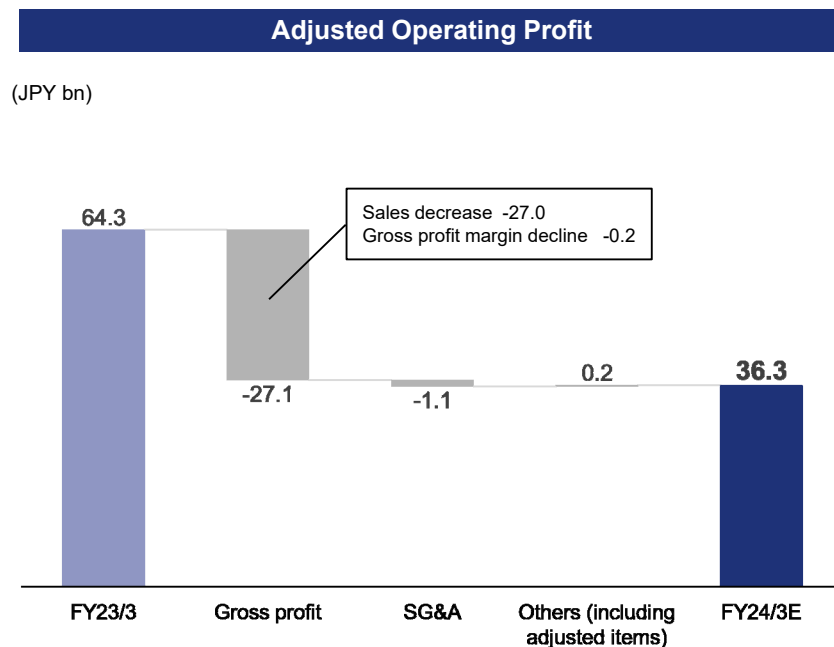
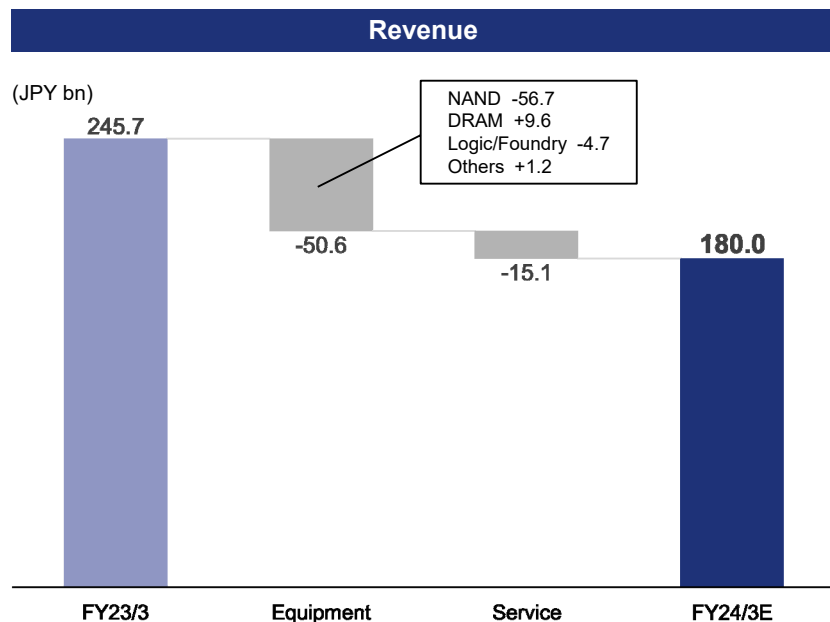
No changes to the previous forecast. **Investments in mature nodes and DRAMs** to support 2H earnings.

(JPY bn)	FY23/3		FY24/3		
	1H	Full year	1H	Full year	YoY
Revenue	120.4	245.7	77.7	180.0	-26.7%
Gross profit	50.6	100.8	34.2	73.7	-26.9%
<i>Gross profit margin</i>	42.0%	41.0%	44.0%	40.9%	-0.1pts
Adjusted operating profit	32.8	64.3	16.6	36.3	-43.6%
<i>Adjusted operating profit margin</i>	27.2%	26.1%	21.4%	20.1%	-6.0pts
Adjusted net income	23.3	46.0	11.1	25.2	-45.3%
<i>Adjusted net income margin</i>	19.3%	18.7%	14.3%	14.0%	-4.7pts
Operating profit	29.4	56.1	13.4	29.1	-48.1%
<i>Operating profit margin</i>	24.4%	22.8%	17.2%	16.2%	-6.6pts
Income before income tax	29.3	55.9	12.9	28.3	-49.4%
<i>Income before income tax margin</i>	24.4%	22.7%	16.6%	15.7%	-7.0pts
Net income	20.9	40.3	8.8	20.2	-49.9%
<i>Net income margin</i>	17.4%	16.4%	11.3%	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.

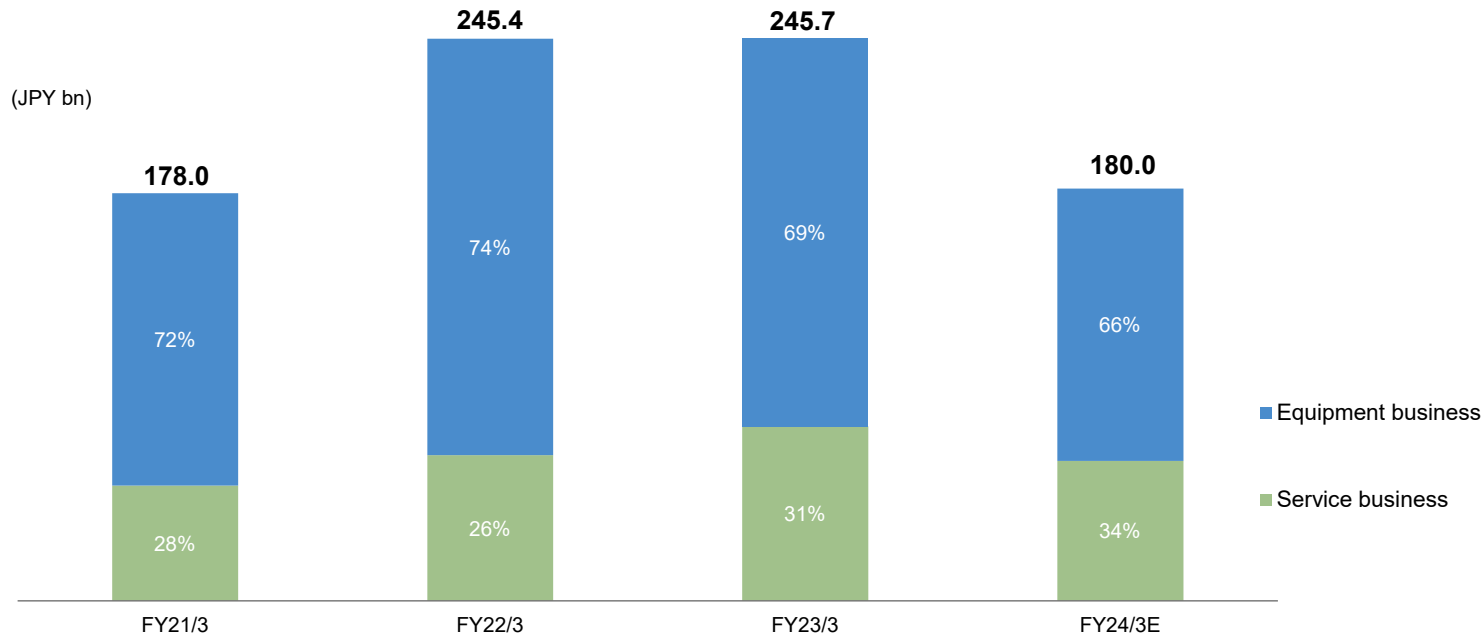
FY2024/3 Earnings Forecast: Factors for Change

Equipment revenue is expected to decline due to the impact of restrained investment by some device manufactures.
Adjusted operating profit will decrease due to a decline mainly in equipment revenue.



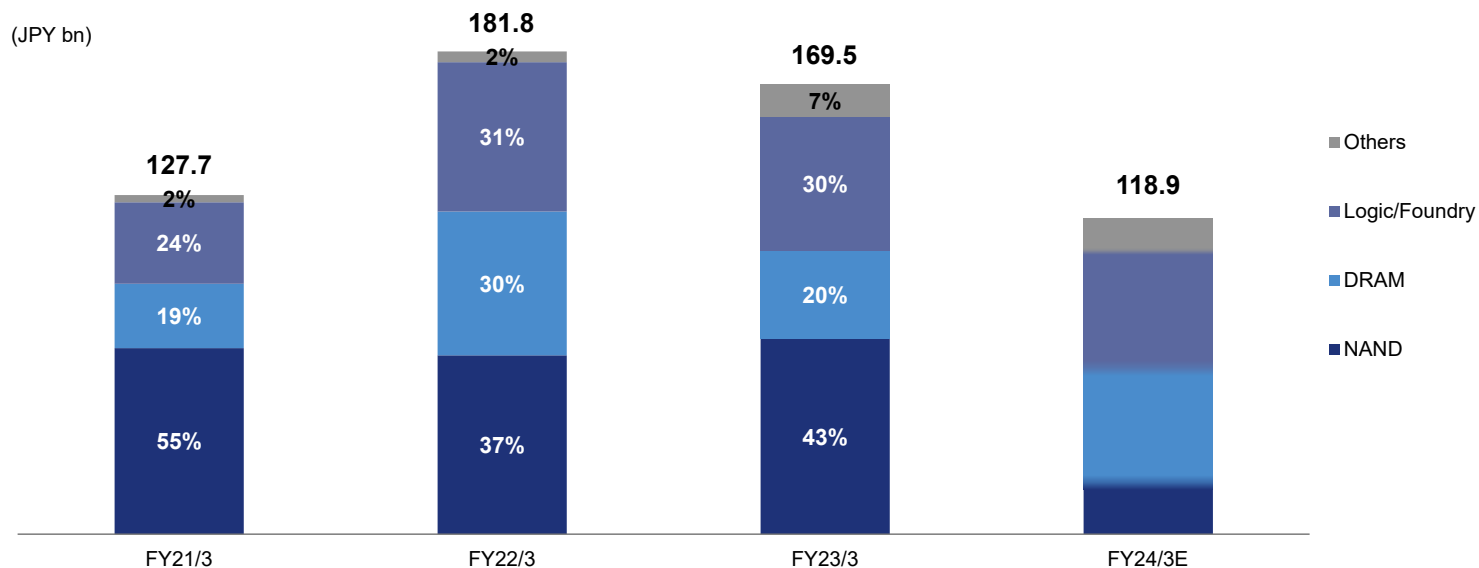
Revenue Forecast by Business

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



Revenue Forecast by Application (Equipment only)

For FY24/3, revenue composition ratio for Logic/Foundry is expected to increase due to restrained investment in memory and active investment in mature nodes.





Mid- to Long-Term Business Strategy and Objectives

Consolidated Results for 2Q FY24/3

- Semiconductor devices inventory adjustments are progressing, and the market bottomed out. Some semiconductor device manufacturers continue to restrain investment.
- Our 1H results saw a decrease in revenue and profits, but 2Q results improved significantly QoQ.

Consolidated Earnings Forecast for FY24/3

- 1Q was sluggish; recovery expected to start in 2Q with further rebound anticipated in 3Q and 4Q. Robust investment for mature nodes to support our revenue. No changes to the previous forecast.

Medium- to Long-term Business Strategies and Objectives

- **We continue R&D investment and Capex for medium- to long-term growth, to respond to the changes in the market environment and customer needs and further expand our business.**

Business Environment

We believe the semiconductor device and WFE markets likely have already bottomed out and will start to recover in and after CY2024

■ Semiconductor Device Market

In the medium- to long-term, significant growth is expected due to expansion of data centers by expanding 5G, AI, IoT, and DX, and investment in reducing environmental impact (GX).

■ WFE Market

Semiconductor device makers continue to invest in cutting-edge product development.

The market is expected to be mostly flat in CY24 and grow to USD110-120 bn in the next few years.

Demand for high-value-added semiconductor manufacturing equipment is expected to increase as semiconductor devices become more complex.

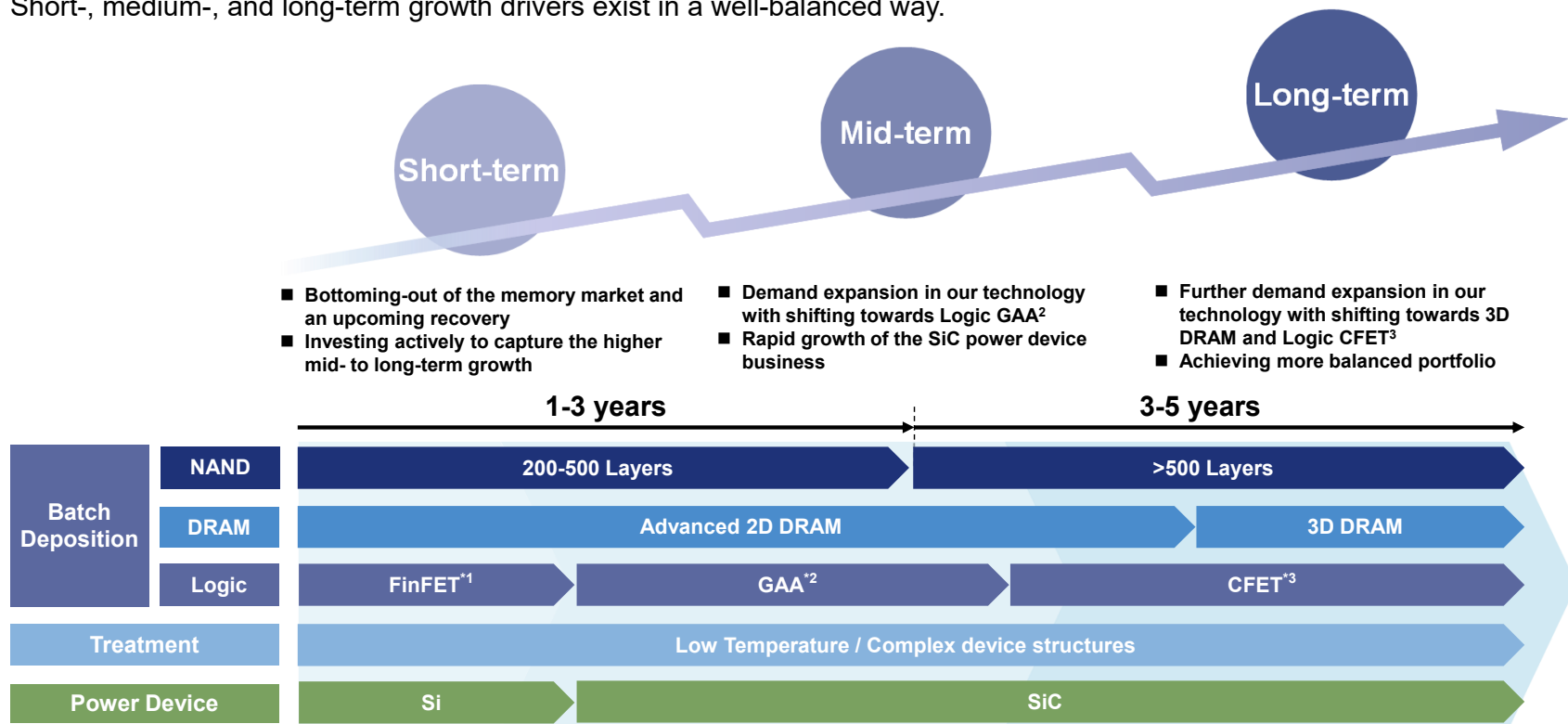
Equipment Revenue Forecast in FY24/3 and FY25/3

- **Although equipment revenue in FY24/3 are expected to decline significantly compared to FY23/3, we anticipate growth that exceeds WFE in FY25/3.**
- **Trends by application**

NAND	Expected to recover in and after the second half of FY25/3.
DRAM	Most stable orders and sales are expected. Mass production of cutting-edge devices is expected to recover.
Logic/Foundry	In the short-term, mature nodes for China will lead demand, after which the balance is expected to improve as global demand for cutting-edge products starts to increase.
Others	Rapid growth of SiC power devices is expected to contribute.

Our Growth Roadmap

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

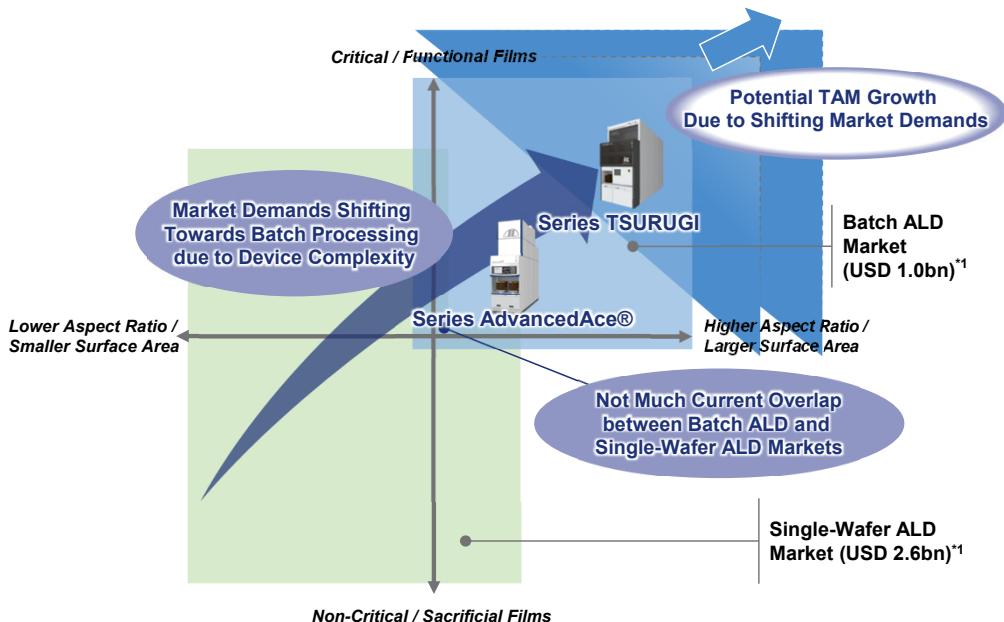


*1 Fin Field-Effect Transistor *2 Gate All Around *3 Complimentary Field Effect Transistor

Batch ALD Market Outlook

Batch ALD 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 / Single-Wafer Market



*1 Kokusai estimate based on public information and internal sales data

Demand Outlook for Batch ALD by Application

NAND

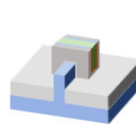
- The number of processes that require batch ALD will continue to increase due to further layering of 3D NAND

DRAM

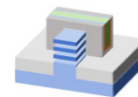
- Demand for cutting-edge deposition, where batch deposition is a specialty, has expanded
- The number of processes that require batch ALD has been expanded further due to the shift to 3D DRAM

Logic/Foundry

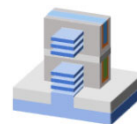
- The number of processes that require batch ALD has been expanded as device structures become more complex and three-dimensional by shifting from FinFET to GAA and CFET.



FinFET



GAA



CFET

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 from capital surplus with a target 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.

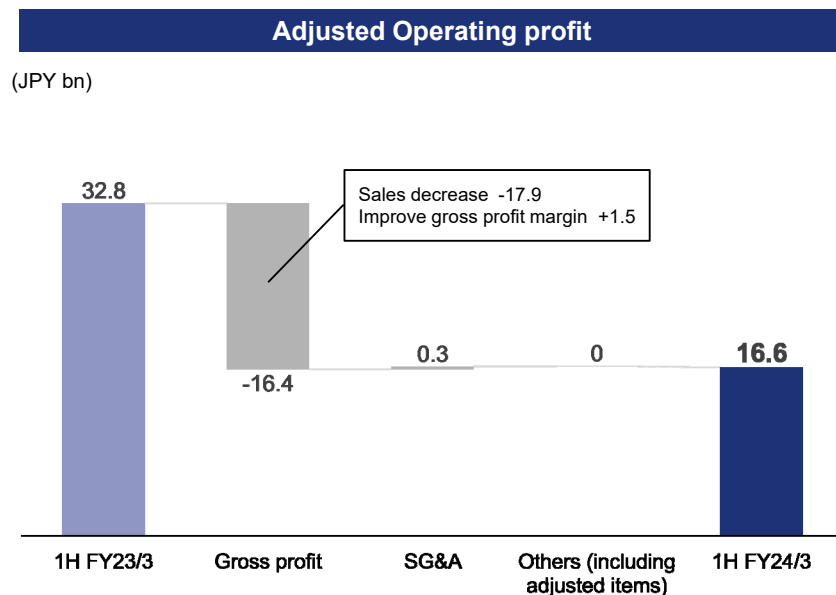
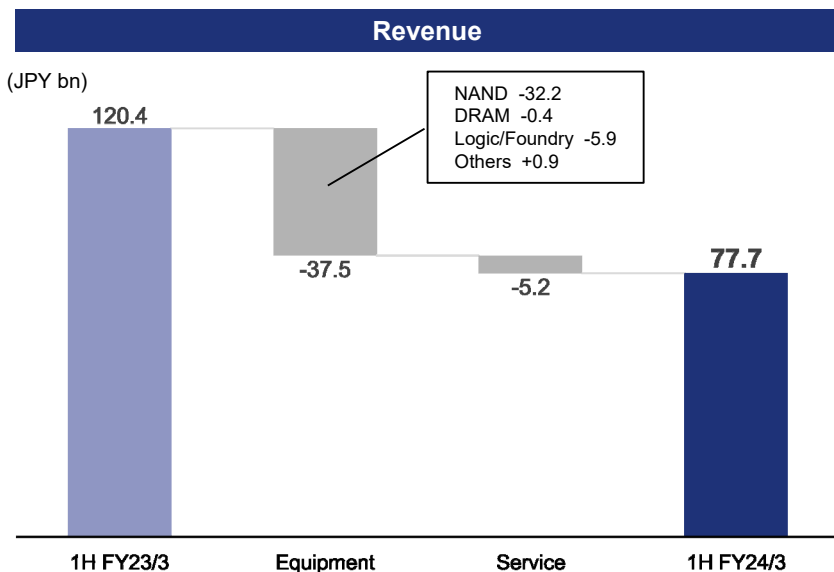


Appendix

1H FY2024/3 Results: Factors for Changes

Restrained investment by some device manufacturers resulted in a decrease in revenue of JPY42.7 bn YoY due to the decrease in revenue for equipment and service.

Decreased revenue led to a **decrease in gross profit**, with adjusted operating profit down JPY16.2 bn YoY.



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

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

Reconciliation of Adjusted Items

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

Key Balance Sheet Items

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

(JPY mn)			End of 4Q FY23/3	End of 1Q FY24/3	End of 2Q FY24/3	
Liabilities	Current Liabilities	Loans payable	6,000	6,000	6,750	
		Trade and other payables	41,790	28,982	29,645	
		Contract liabilities	28,918	32,068	29,354	
		Other current liabilities	21,469	13,875	15,009	
		Total current liabilities	98,177	80,925	80,758	
	Non-current Liabilities	Loans payable	91,500	91,500	87,750	
		Other non-current liabilities	19,705	19,151	19,395	
		Total non-current liabilities	111,205	110,651	107,145	
	Total Liabilities			209,382	191,576	187,903
	Equity	Total Equity	160,881	165,329	172,136	
Total Liabilities and Equity			370,263	356,905	360,039	

	End of 4Q FY23/3	End of 1Q FY24/3	End of 2Q FY24/3
Equity ratio	43.5%	46.3%	47.8%
Debt equity ratio	0.6	0.6	0.6
Net cash (JPY mn)	6,847	-4,659	-8,491

Cash Flow

(JPY mn)	FY23/3					FY24/3	
	1Q	2Q	3Q	4Q	Full Year	1Q	2Q
CF from operating activities	-1,950	22,120	-3,351	13,174	29,993	-7,365	-2,030
CF from investing activities	-982	-1,657	-2,069	-3,117	-7,825	-5,278	-2,037
Free CF	-2,932	20,463	-5,420	10,057	22,168	-12,643	-4,067
CF from financing activities	-120	-2,425	-163	-22,405	-25,113	-167	-3,171
Cash and cash equivalents at beginning of the quarter	108,399	106,464	124,198	118,403	-	106,053	94,493
Cash and cash equivalents at end of the quarter	106,464	124,198	118,403	106,053	-	94,493	87,550

Sustainability Management: Materiality

Identified five materiality to accelerate the solution of issues. Identify the priority issues from subjective and objective perspectives and engage in activities with KPI set for each issue to promote sustainability management

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

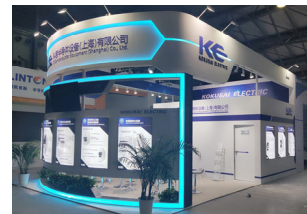
1. VOC: Voice of Customer
2. SCR: Super Clean Room

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

Key Activities for 2H FY2024/3

Business Activities

- Earned the 2023 EPIC Distinguished Supplier Award from Intel Corporation (June 23)
- Recognized in Customer Satisfaction Survey by TechInsights as “10 BEST SUPPLIERS” for 26th consecutive years and won “THE BEST SUPPLIERS” award recognizing excellent semiconductor suppliers by product types. (May 23)
- Exhibited at semiconductor industry exhibitions held in various regions, including “SEMICON® China 2023” (June 2023), “SEMICON® West 2023” (July 2023), and “SEMICON® Taiwan 2023” (September 23).
- 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 Initiative to Establish Next-generation Novel Integrated Circuits Centers (X-nics). (July 23)



Key Activities for 2H FY2024/3

ESG Initiatives

- Signed the Women's Empowerment Principles (WEPs), which offer guidance to businesses actively promoting women's empowerment in the workplace. (April 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)
- Sponsored the "Owara Kaze no Bon" festival in Yatsuo, Toyama City, where the Toyama Technology & Manufacturing Center is located. (September 23)
- Enhanced the "Compliance Whistleblower System" on the company website to strengthen compliance. (June 23)



