KOKUSAI ELECTRIC

Corporate Profile

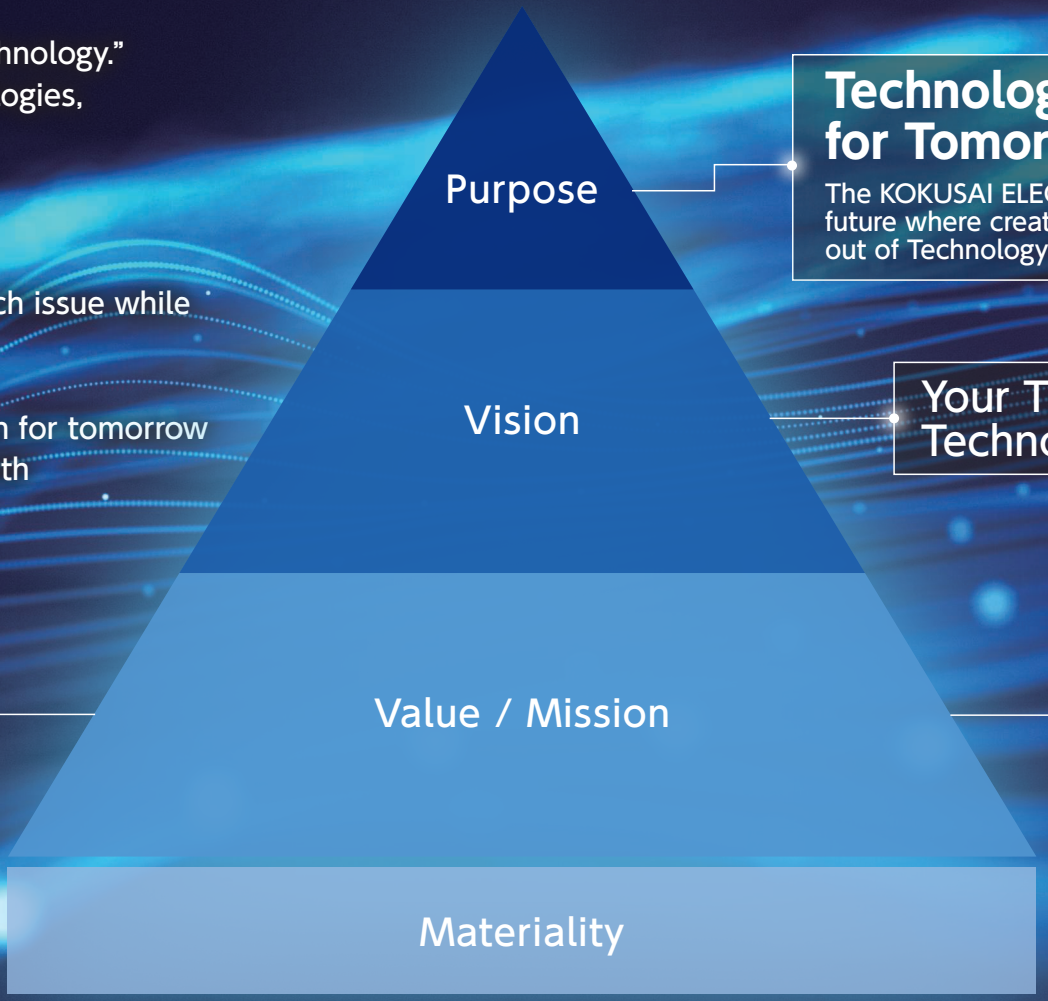
Technology & **Tai-wa** for Tomorrow

KOKUSAI ELECTRIC Way

KOKUSAI ELECTRIC Way
We always pursue advancing “Technology.”
We innovate by fusing our technologies,
refined across multiple fields.

We always value “Tai-wa®.”
We develop the best solutions
by drilling down to the core of each issue while
respecting “Tai-wa®.”

We consistently lay the foundation for tomorrow
by responding to diverse needs with
“Technology” and “Tai-wa®.”



Technology & Tai-wa for Tomorrow

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

Your Trusted Partner To Bring Technology Dreams To Life

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

*Tai-wa is a Japanese word meaning “synergistic discourse,” or conversations between people face-to-face with a willingness to understand others with a sense of empathy. At times, subjects we have Tai-wa with can be things besides people. For us, Tai-wa implies respecting every one of you, being sincere, and acting wholeheartedly, that is an attitude itself towards work. This is our group’s DNA that we value to last forever.

We will maintain and strengthen our technological superiority in deposition to support the evolution of semiconductor devices

Contributing to society with technology and Tai-wa is our purpose

The Group is a global manufacturer of semiconductor manufacturing equipment, specializing in deposition in the front-end processes of semiconductor device manufacture. One of the Group's core technologies is batch ALD*1 technology. Balancing high-quality deposition and high levels of productivity on highly difficult, complex structures, we are proud to have achieved the top global market share*2 in batch ALD-compatible equipment in 2023. Another of our core technologies is our treatment (film property improvement) technology, which uses abundant radicals generated by proprietary plasma processing to achieve film property improvement with superior isotropy and step coverage with a high level of productivity. In treatment process equipment, we had the third highest*3 share of the global market in 2023.

The Group began development of semiconductor manufacturing equipment in the 1950s. Ever since, we have engaged in research and development for over 70 years. In the 1980s, we developed the world's first vertical deposition equipment, which prevents contamination with natural oxide film, improves internal uniformity, and greatly reduces the particle*4 generation. Then, in the 1990s, we established ALD technology, and our batch ALD technology, which combined batch deposition technology and ALD technology, was highly commended as an indispensable technology in light of the trend toward miniaturization and multilayering of semiconductor devices, which were also becoming increasingly complex and three-dimensional. As well as contributing to the evolution of semiconductor devices, this technology resulted in the major expansion of the Group's business. Through repeated dialogue ("Tai-wa") with our customers, we have continued to modify and advance our deposition-related technologies in pursuit of the formation of uniform film with high productivity.

Through technological innovation, we will support the advancement of semiconductor devices and contribute to our customers and society. That is our Purpose. Our history to date has been a journey toward the fulfillment of that Purpose. It something that we must never forget as we move forward.

We will continue to create value through "Technology" and "Tai-wa," and do everything in our power to be of service to the world through deposition technology. As always, I look forward to your continued understanding and support.

Fumiyuki Kanai
Representative Director
President and Chief Executive Officer

*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 TechInsights Inc. "TI_ALD Tools - Batch_YEARLY_v24.04" (April)
*3 Gartner®, "Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2023," Bob Johnson, Gaurav Gupta, Menglin Cao, 1 May 2024
Treatment process equipment: RTP and Oxidation/Diffusion

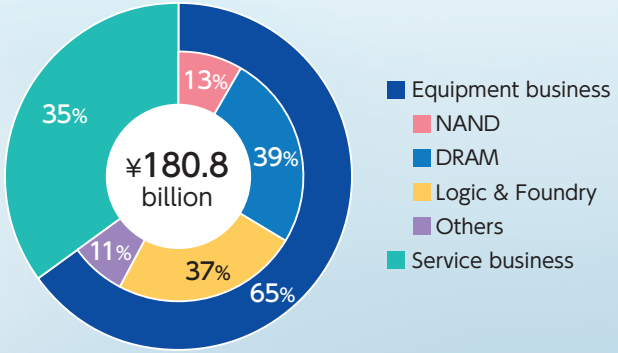
*4 Fine particles mainly at the level of several hundred to several tens of nanometers that have a detrimental effect on the manufacturing process of semiconductor devices

At a Glance

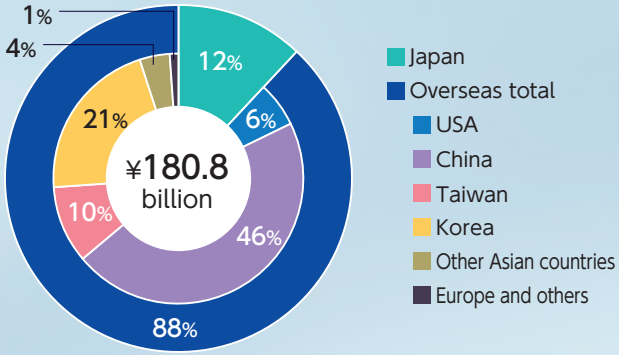
Specializing in deposition, the Group's mainstay products in the equipment business are batch ALD-compatible equipment and treatment (film property improvement) process equipment with leading global market shares.

Financial Overview

Revenues by Business/Application (Consolidated) for the Fiscal Year Ended March 31, 2024



Revenues by Region (Consolidated) for the Fiscal Year Ended March 31, 2024



Business

Equipment business (65%)

Batch deposition equipment

Batch ALD

Global share No.1 (2023)*1

- Batch deposition equipment that performs film deposition of dozens or more wafers at a time, which is compatible with ALD technology. With devices becoming more complex, more difficult and high-quality deposition and high productivity are now required, and the needs for batch ALD are growing.
- ALD: Abbreviation of 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, etc.

- Deposition process equipment compatible with LP-CVD, oxidation technology, annealing (low temperature, high temperature) technology, and diffusion technology.
- CVD: Abbreviation of Chemical Vapor Deposition. A technique to perform deposition by simultaneously supplying gases and causing a chemical reaction in the gas phase. The Group focuses on LP-CVD (Low Pressure CVD).

Treatment process equipment

Global share No.3 (2023)*2

- An equipment designed to improve film properties by removing impurities in the film by plasma or heating after deposition to stabilize the particles.
- With devices becoming more complex, isotropy and superior step coverage are required, and the needs for treatment process equipment are growing. The needs for improved film properties in low-temperature environments are growing.

Service business (35%)

- After-sales services for semiconductor manufacturing equipment manufactured and sold by the Group (parts sales, maintenance services, paid repairs, relocation and modification of equipment, sales of legacy equipment for sub-200 mm wafers, etc.).
- In parts sales and maintenance services, the Group achieved steady growth of over 10% year on year on an installed base from the fiscal year ended March 31, 2017 to the fiscal year ended March 31, 2023.
- The Group aims to provide further value-added services based on the concept of "Design for Service Business."

*1 Source: TechInsights Inc. "TI_ALD Tools-Batch_YEARLY_v24.04" 2024 (April)
*2 Source : "Gartner®, "Market Share: Semiconductor Wafer Fab Equipment, Worldwide, 2023," Bob Johnson, Gaurav Gupta, Menglin Cao, 1, May 2024
Treatment process equipment: RTP and Oxidation/Diffusion

Group network

Japan

2 companies

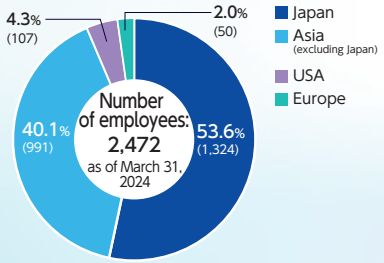
Overseas

6 companies

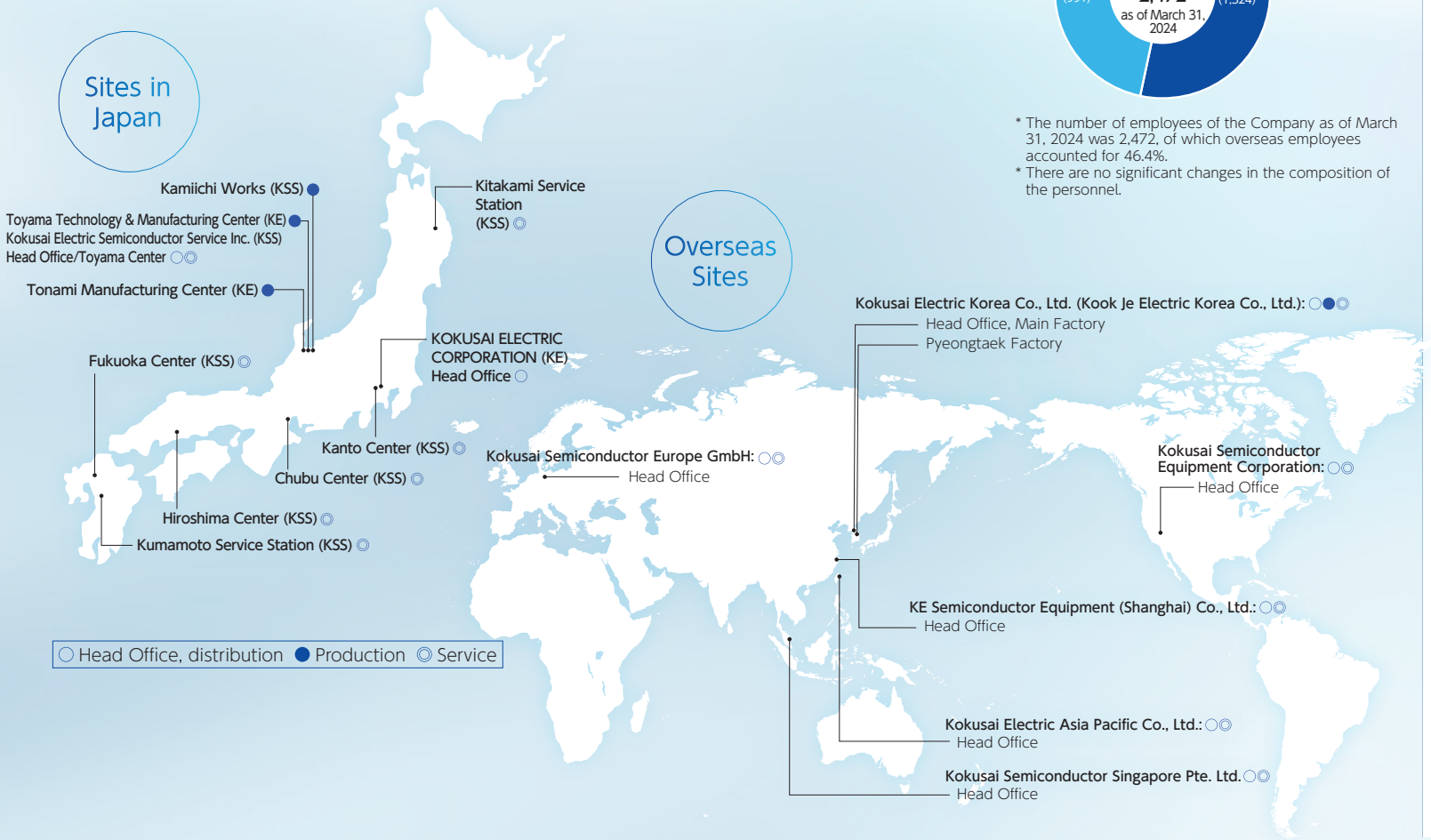
Overseas employees (Consolidated)*

46.4%

Number and Percentage of Personnel by Region (Consolidated)*



* The number of employees of the Company as of March 31, 2024 was 2,472, of which overseas employees accounted for 46.4%.
* There are no significant changes in the composition of the personnel.



Main Centers for Development, Design, and Production

Toyama Technology & Manufacturing Center

Located in Yatsuomachi, Toyama, with a view of the Tateyama mountain range, this factory has special-purpose clean rooms where semiconductor manufacturing equipment for next-generation processes is developed, designed, and produced to meet the demanding needs of major users worldwide.

Tonami Manufacturing Center

A new production base completed in September 2024. This factory promotes smart factory by introducing cutting-edge solutions such as IoT, DX, and generative AI. Located in Tonami City, Toyama Prefecture, the factory is close to the Toyama Technology & Manufacturing Center, enabling efficient sharing of supply chains and engineers.

Kamiichi Works of Kokusai Electric Semiconductor Service Inc.

Located amid a rich natural environment in Toyama Prefecture's Kamiichi Town at the foot of Mt. Tsurugidake in Japan's Northern Alps, the factory develops, designs, and produces ultrasonic cleaning machines and resistivity measurement systems. It also produces controllers for semiconductor manufacturing equipment. These products are supplied to users across the world.

Cheonan-si Head Office and Main Factory of Kokusai Electric Korea Co., Ltd.

Located in Cheonan-si, Chungnam, about 100 km south of Seoul, the capital of Korea, Kokusai Electric Korea Co., Ltd. designs, produces, and upgrades semiconductor manufacturing equipment, supplying products mainly to users in Korea.

Pyeongtaek Factory of Kokusai Electric Korea Co., Ltd.

Pyeongtaek in Gyeonggi Province is located to the south of Seoul, the capital of Korea. As the service base for Korean users, and also developing the evaluation of semiconductor manufacturing equipment, it meets the needs for advanced technologies and products utilizing local production for local consumption.

Medium-Term Management Plan

The Group has formulated the medium- to long-term business strategy and medium-term objectives in order to appropriately respond to expected changes in the market environment and customer needs and promote measures to transform its structure into a further high-profitable one.
Please refer to the Company's website for the Group's management policy and strategy.

Outlook for the Business Environment

The size of the semiconductor device market more than doubled from about 300 billion US dollars in 2010 to, after 12 years, US 610 billion US dollars in 2022. It is expected to record the average annual growth rate of 9.5% from 2023 to 2028.*1 The expansion of the semiconductor device market was owing to factors including demand expansion of electronic devices such as smartphones and personal computers, expansion of data centers due to the spread technologies such as AI, IoT, and digital transformation (DX), investment for green transformation (GX) to reduce environmental impact, among others, which increased demand for industrial use, and industrial support measures taken by major countries. The global economy currently sees the continued sluggish demand for electronic devices such as smartphones and personal computers due to the uncertain economic environment, with restrained investment by semiconductor device manufacturers, mainly in NAND. However, we believe that the semiconductor device market bottomed out in the first half of 2023, as inventory adjustments progressed in the market and unit prices of memory devices began to rise. We expect semiconductor devices will experience a full-fledged recovery in demand from the second half of 2024 through 2025 and will be growing again toward 2027 through continued and accelerated technological innovation.*2

The semiconductor production equipment market more than tripled from about 30 billion US dollars in 2010 to, after 12 years, about 98 billion US dollars in 2022. It is expected to record the average annual growth rate of 7.5% from 2023 to 2028.*2 Due to the current uncertain economic environment, semiconductor device manufacturers have continued to restrain investment, mainly in NAND. However, we expect demand for semiconductor manufacturing equipment will also recover in line with the recovery in demand for semiconductor devices. Over the medium to long term, with miniaturization of semiconductor devices and their structures becoming more complex and three-dimensional, we believe that there will be growing needs for semiconductor manufacturing equipment capable of achieving both highly difficult deposition and high productivity.

*1 Source: TechInsights Inc. Semiconductor Forecast (March 2024)
*2 Source: TechInsights Inc. "IC Manufacturing Equipment Market History and Forecast (2018-2028)" (March 2024)

Size of the global markets of semiconductor devices and semiconductor manufacturing equipment (Billions of dollars)

	2010	2022	2023	2028 (forecast)
Size of the global market of semiconductor devices	296.7	613.9	559.1	878.7
Size of the global market of semiconductor manufacturing equipment	30.4	97.7	99.0	142.3

Source: TechInsights Inc. Semiconductor Forecast (March 2024)
Source: TechInsights Inc. "IC Manufacturing Equipment Market History and Forecast (2018-2028)" (March 2024)

Medium- to long-term Management Policy

The Group focuses on the deposition process of the front-end semiconductor manufacturing process and enjoys leading global market shares of batch deposition equipment and treatment (film property improvement) process equipment. As the topography of wafer surfaces becomes more complex with miniaturization of semiconductor devices and their structures becoming more complex and three-dimensional in recent years, further advanced technologies are required to form high-quality thin films and other products. In response to such requirement, the Group will expand its business by emphasizing sales expansion and R&D of high-value-added products, through leveraging batch deposition technology, which achieves both highly difficult deposition and high productivity, and treatment technology, which improves the properties of the thin film formed while maintaining high productivity.

Moreover, we will strive to enhance our services attuned to customer needs throughout the equipment life cycle, including maintenance, repair, parts supply, relocation, and modification. Furthermore, we will emphasize the enrichment of production and development systems to respond to demand expansion while also pursuing the enhancement of production efficiency by utilizing digital transformation (DX).

As regards our ESG initiatives, we will promote activities to resolve issues, based on the five key issues identified as materiality, namely, (1) contribution to society through creativity and innovation, (2) creation of a sustainable society and conservation of the global environment, (3) human resources management as a source of innovation, (4) strengthening of the governance system to realize sustainability management, and (5) respect and consideration of human rights.

Specific Measures

1. Continuously creating high-value-added technologies and products, and conducting R&D with a view to the next 10 years
2. Enhancing proposal capabilities and customer engagement to further increase revenue and profit
3. Launching the manufacture center in Tonami City, Toyama Prefecture, and doubling production capacity using the new production method
4. Further expanding the service business
5. Continuing reforms of business activities with integrated management by the entire Group
6. Further promoting operational efficiency across the Group to enhance profitability
7. Enhancing the Group's sustainability management

*Please refer to securities reports for details.

Medium-term Business Strategy

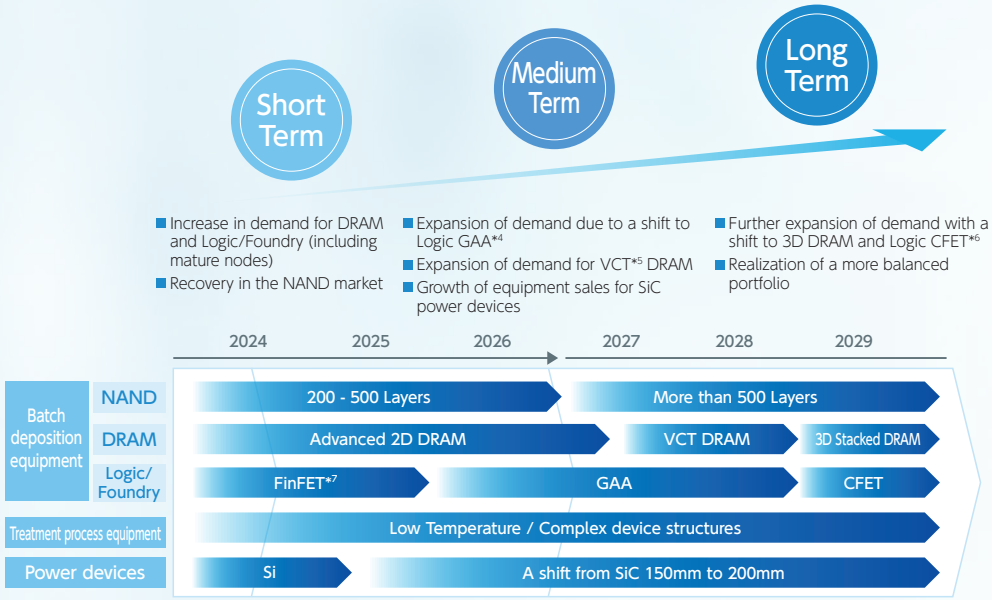
We aim to achieve business growth exceeding that of WFE*1 by focusing on the three strategies.

1. Expanding sales of equipment compatible with batch ALD*2 technology and those of treatment process equipment of the Company in response to applications for NAND, DRAM, and Logic/Foundry, which have become more complex and three-dimensional
2. Expanding the earnings base in the field of deposition by promoting sales of batch deposition equipment for mature nodes and equipment for SiC power devices, which have been rapidly growing
3. Expanding the service bushiness, which is highly profitable, by providing services that meet customer needs throughout the life cycles of products

*1 Abbreviation of Wafer Fab Equipment

*2 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."

Short-term and Medium- to long-term Catalysts*3 The Group's Roadmap



*3 Estimation by the Company *4 Gate All Around *5 Abbreviation of Vertical Channel Transistor
*6 Complimentary Field Effect Transistor *7 Fin Field-Effect Transistor

Medium-term Objectives

The Group has set the medium-term objectives to be achieved within three to four years, based on the assumption that the size of the WFE market will reach or exceed 120.0 billion US dollars. Specifically, we aim to achieve revenue of 330.0 billion yen or more and adjusted operating profit margin of 30% or more. We expect the revenue composition by business with the equipment business accounting for about 75% and the services business accounting for about 25%. We also expect the revenue composition of application from equipment sales with Logic/Foundry and others accounting for 50% and DRAM and NAND memory combined accounting for 50%. We will increase capital expenditures from the previous range between 2.0 billion yen and 3.0 billion yen per year to that between 4.0 billion yen and 6.0 billion yen per year and invest equivalent to 6% or more of revenue in R&D expenses annually to respond to the progress of semiconductor devices.

In addition, the Group has set the targets for return on invested capital (ROIC) and return on equity (ROE) that exceed the weighted average cost of capital (WACC) in order to improve capital profitability from a medium- to long-term perspective as a response to realize management that is conscious of cost of capital and stock price. The Company will actively engage in dialogue with stakeholders in accordance with its disclosure policy.

	Results for the fiscal year ended March 31, 2024	Medium-term Targets
Revenue	¥180.8 billion	¥330.0 billion or more
Equipment business sales ratio	65%	Approx. 75%
Service business sales ratio	35%	Approx. 25%
Adjusted operating profit margin	20.9%	30 % or above
R&D expenses as a percentage of revenue	7.0%	6% or above
(Reference) Return on equity (ROE)	15.7%	25% or above
(Reference) Return on invested capital (ROIC)	10.1%	23% or above
(Reference) WFE market size as a basis of the estimate	$100 billion (2023)	$120 billion or above

Enhancement of Shareholder Returns

- Consolidated dividend payout ratio of 20 to 30%, which is comparable with other companies in the same industry in Japan and overseas
- After achieving the target for net cash*8, we aim to allocate an amount equivalent to about 70% of free cash flow after the redemption in installments of interest-bearing liabilities*9 to flexible share buybacks and dividends.
- A total return ratio, which combines dividends paid and share buybacks, is expected to be about 50% at the time of achieving the medium-term objectives.

*8 Net cash = Cash and cash equivalents - interest-bearing liabilities
*9 Free cash flow after the redemption in installments of interest-bearing liabilities = cash flows from operating activities + cash flows from investing activities - redemption of installments in interest-bearing liabilities

The Group's Approach to CSR and Sustainability Management

At the KOKUSAI ELECTRIC Group, we believe it is our corporate social responsibility to earn the trust and meet the expectations of society through our business activities.

Based on full awareness of this social responsibility, within the framework of sustainability management, by pursuing economic value as well as environmental and social value through both business activities and ESG initiatives (resolution of environmental and social issues and strengthening of governance), we aim to contribute to the achievement of the SDGs while concurrently seeking to realize a sustainable society as well as sustainable development of the Group.

The Group promotes sustainability management through the foundation of its activities, including its Corporate Philosophy, materiality (key issues), operation of a dedicated committee, and participation in international initiatives.

We disclose these activities in this report and on our website with a view to broadly engaging in "Tai-wa" about our sustainability management with stakeholders.

KOKUSAI ELECTRIC Group's Corporate Philosophy

The Group has identified as its materiality those priority issues that are to be addressed in order for the Group to contribute to the achievement of the SDGs and achieve sustainable development under the KOKUSAI ELECTRIC Way. It aims to realize both a sustainable society and the sustainable development of the Group from the dual perspectives of business activities and ESG (resolution of environmental and social issues and strengthening of governance).

KOKUSAI ELECTRIC Way [Corporate Slogan]
Technology & Tai-wa® for Tomorrow
— The KOKUSAI ELECTRIC Group supports a future where creativity and innovation are born out of Technology and Tai-wa. —

Materiality (key issues to be addressed)

Medium- to Long-term Business Strategy/Medium-Term Management Plan

Fiscal Year Operational Policies

Operational policies and budgets of individual divisions, specific action plans/KPIs

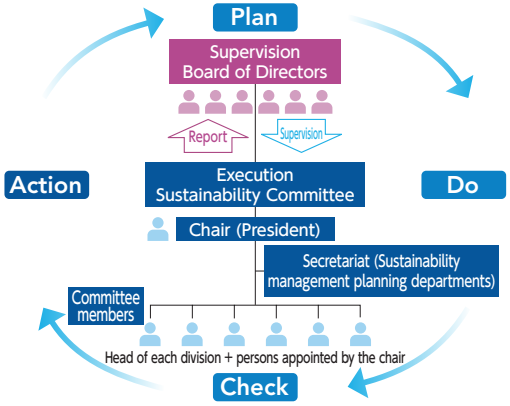
B (Business) Perspective
Deliberations and follow-up in budget meetings, business strategy meetings, etc.

E/S/G Perspectives
Deliberations and follow-up in the Sustainability Committee

Sustainability Committee

We have established and operate the Sustainability Committee, chaired by the President, as a dedicated meeting body to drive our sustainability activities.

The Sustainability Committee is composed of members with the expertise necessary to address various social and business issues. Matters to be deliberated on by the committee are determined in consideration of materiality, external requirements, etc. The statuses of sustainability activities led by the committee are regularly reported to the Board of Directors and communicated to the internal parties.



We disclose our sustainability activities in this report and on our website with a view to broadly engaging in "Tai-wa" about our business management with stakeholders.

Value Creation Process

Our initiatives to realize the KOKUSAI ELECTRIC Way and ESG initiatives (resolution of environmental and social issues and strengthening of corporate governance) constitute the foundation of the Group's sustainability management. Mindful of the key issues to be addressed (materiality) as the starting point, the Group is committed to contributing to development of industry and society and establishment of a sustainable society through our business and ESG initiatives, making effective use of the Group's management capital. In order to realize this value creation process, we are endeavoring to offer high-quality, high-performance products and high-value-added services.

Continuous improvements to realize the KOKUSAI ELECTRIC Way

Identification of Materiality

Deliberation by the Management Meeting and the Sustainability Committee

	INPUT	OUTPUT	OUTCOME
	Important capital x Value/Mission	Value creation, social contribution initiatives	Confirmation of the outcomes of the initiatives

Business activity

Contribution to society through creativity and innovation

Creation of a sustainable society and conservation of the global environment

Human resources management as a source of innovation

FY2023 results

Financial Capital
- Net assets: ¥139.5 billion
- Equity ratio: 43.4%

Intellectual Capital
- Some 400 employees engaged in R&D (in Japan)

Social Capital
- 26 collaborative projects (with universities, institutions, other companies)

Natural Capital
- Electricity: 45,014 MWh
- Fuel oil (gasoline) 19 kL
- Fuel oil (diesel oil) 11 kL
- Fuel oil (heavy oil, kerosene): 258 kL
- Gas (city gas, LPG): 115 km³
- Water (tap water, industrial water) : 206 km³

Human Capital
- Number of employees in Japan : 1,335
- Number of employees overseas : 1,148

Manufactured Capital
- Global network: Total of 8 companies consisting of 2 companies in Japan and 6 companies overseas

- Enhancement of business and financial performance
- Launch of environmentally friendly products and new services
- Strengthening of R&D and collaborative partnerships
- Provision of customer-oriented products, technologies, and services

FY2023 results

18,344units — Number of products shipped (Cumulative total as of March 31, 2024)

¥180.8billion — Revenues (consolidated)

¥37.8billion — Adjusted operating profit (Consolidated)

Customer satisfaction: **80%or above** *Ratio of "Very satisfied" or "Satisfied" responses in customer satisfaction survey

Customer Awards: Won the 10 BEST Suppliers and THE BEST Suppliers awards

Customer Awards: Earned the EPIC Distinguished Supplier Award

Customer Awards: Received the Grand Prize for Outstanding Cooperating Company Award

Sustainable growth of businesses

Development of industry and society brought about by progress of semiconductors
- Achieve high Performance and energy savings in semiconductor-mounted products
- Create jobs in the semiconductor industry
- Strengthen social infrastructure through dissemination of IoT technology

ESG

Strengthening of the governance system to realize sustainability management

Respect and consideration of human rights

- Reduction of greenhouse gas emissions
- Use of renewable energy
- Building a sustainable supply chain
- Promotion of diversity & inclusion
- Work style reforms
- Development of career development programs
- Strengthening of compliance and risk management

FY2023 results

22,067t-CO_2 — Scope 1+2 GHG emissions

806,107t-CO_2 — (Scope 3) GHG emissions

20% — Renewable energy purchase ratio

30% — Waste and valuables generation intensity improvement rate

98% — Rate of compliance with sustainable procurement checklist

4.7% — Percentage of female managers

66% — Percentage of male employees who took childcare leave

100% — Percentage of female employees who took childcare leave

84courses — Number of e-learning courses

0 — Number of occupational deaths

¥100million — Donations to regions and people affected by the Noto Peninsula Earthquake

100% — Rate of attendance of Board of Directors meetings

43,428hours — Total number of hours of training aimed at developing employees' capabilities and improving their skills

0 — Total number of serious legal violations, fines, charges, litigations, etc.

Ongoing value creation for a sustainable society

Establishment of a sustainable society
- Reduce environmental impact
- Realize an energy-saving society
- Resolve human rights issues
- Realize a society without disparities
- Forge good relationships with local communities

Business Strategy

The topography of wafer surfaces is growing in complexity as the structures of semiconductor devices have become more complex and three-dimensional in recent years. This means that more advanced deposition technologies are required to form high-quality thin films. In addition, due to the time needed for high-quality deposition on such complex shapes, productivity issues are emerging. In response, the Group will emphasize sales expansion and R&D of high-value-added products, leveraging batch-ALD* technology, which achieves both deposition with a high degree of difficulty and high productivity, and treatment (film property improvement) technology, which improves the properties of the thin film formed while maintaining high productivity, so as to expand our business. Moreover, we will strive to enhance our after-sales services attuned to customer needs throughout the equipment life cycle, including maintenance, repair, parts sales, relocation, and modification. Furthermore, we will emphasize the enrichment of production and development systems to respond to increasing demand while also pursuing the enhancement of production efficiency by utilizing digital transformation (DX).

Overview of the Equipment Business

Deposition process equipment

Deposition process equipment is equipment designed to form thin films, such as polysilicon film, which forms the circuit material, and insulating film, in the formation of electronic circuits on wafers. Our equipment is compatible with ALD, LP-CVD, oxidation, diffusion, and annealing technologies. Given the important role that this deposition process plays in circuit formation on wafers, it is essential to provide advanced technology and highly reliable products for each piece of equipment. The Group's mainstay product, batch deposition equipment, is highly rated by semiconductor device manufacturers all over the world. In particular, our batch ALD-compatible equipment holds a world-leading share of the market.

Mini-batch deposition process equipment, TSURUGI-C²® 劔®

- Film deposition performance suitable for next-generation devices and high productivity
- Compatible with the latest batch ALD technology and other thin film formation processes

Large batch deposition process equipment, AdvancedAce®-II

- Equipment that has realized a higher number of wafers that can be processed and shorter processing times for large batches, in addition to highly difficult deposition
- Compatible with batch ALD technology, batch CVD technology, oxidation technology, diffusion technology, and annealing technology, etc.

QUIXACE®-II

- Equipment that offers high-quality deposition performance and high productivity
- Compatible with batch ALD technology, batch CVD technology, oxidation technology, diffusion technology, annealing technology, etc.
- Our best-selling product

Treatment (film property improvement) process equipment

Treatment process equipment is equipment designed to improve film properties by removing impurities in the film, either with plasma or by heating after deposition, and stabilizing the particles. The treatment process equipment manufactured and sold by the Group includes oxynitriding treatment process equipment that uses proprietary plasma sources, and non-plasma annealing equipment that uses a heater as the heat source. In particular, MARORA® is able to treat complex semiconductor shapes at high levels of quality and productivity, and it is attracting demand from semiconductor device manufacturers.

Single wafer treatment process equipment TANDUO®

- Equipment designed to improve film properties by heating after deposition
- Enables annealing at low temperatures

Single wafer treatment process equipment, MARORA®

- Equipment designed to improve film properties by plasma or heating after deposition.
- Enables high-quality treatment of complex semiconductor shapes with high productivity

VERTRON® Revolution

- Standardization of operability through common platform
- Consistency of maintenance work
- Optimization of inventory costs through use of common spare parts
- Reduction of scrap costs of expensive SiC wafers using WPS (Wafer Protection System)

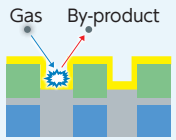
* We refer to a technique for thin-film deposition at an atomic layer level involving a process of cyclical supply of multiple gases as "ALD."

The Group's Strengths

Batch ALD*1 technology

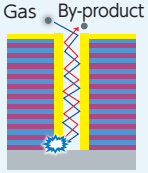
ALD (Atomic Layer Deposition) is a deposition technology with a high degree of difficulty that is able to form high-quality thin film with good step coverage. The demand for this technology is increasing with advances in semiconductor devices. Because deposition with this ALD technology involves the cyclic supply of multiple gases, it takes time to complete, making productivity an issue. The high productivity of batch deposition technology, which enables deposition on several dozen or more wafers at a time, is an effective solution to this issue. The Group's batch ALD technology, which combines our ALD technology, which realizes high quality deposition, with batch deposition technology for simultaneous deposition on several dozen wafers, is a logical solution that achieves both high productivity and deposition with a high degree of difficulty.

Deposition on 2D NAND



- Because the gas reaction occurs in a large space, the gas travels only a short distance
- The surface area requiring deposition is small, and the structure has a low aspect ratio.

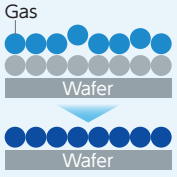
Deposition on 3D NAND



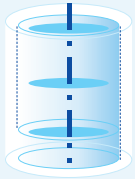
- Because the surface area requiring deposition expands and the distance that the gas travels increases, deposition takes a longer time to complete.
- Expansion of surface area and increase in aspect ratio occur simultaneously, making deposition with a high degree of difficulty essential.

Increase in demand for batch ALD technology, which achieves both high-quality deposition with a high degree of difficulty and high productivity

ALD technology High quality	×	Batch deposition technology High productivity
Gas reacts on wafer surface		Deposition on several dozen wafers at a time

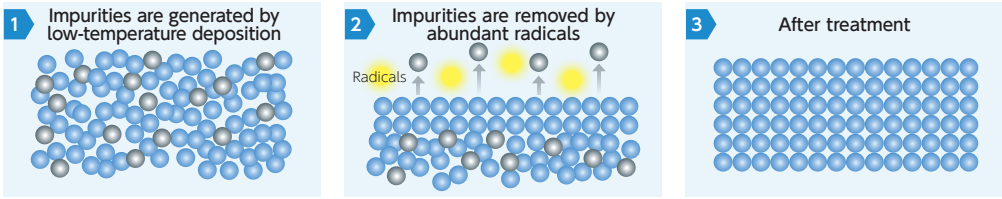


*Image



Treatment (film property improvement) technology

Treatment technology is a technology that improves film properties by removing impurities in the film with the addition of plasma or heat after deposition and stabilizing the particles. Demand for deposition in low-temperature environments has increased with the miniaturization and increasing complexity of semiconductor devices. This has resulted in the expansion of demand for treatment technology as a solution that enables film property improvement at low temperatures. The Group's treatment process equipment is a solution that uses abundant radicals generated by the Group's proprietary plasma method to achieve film property improvement with superior isotropy and step coverage with a high level of productivity.



Application-specific Initiatives

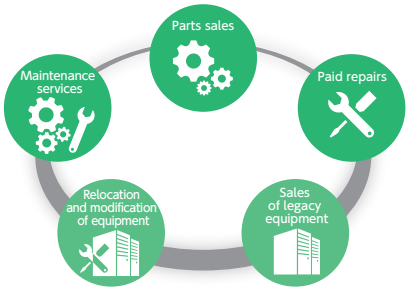
We are aiming for balanced growth in NAND, DRAM, and Logic/Foundry by expanding the leading technological advantages of 3D NAND to DRAM and Logic. We intend to grow power device into one of the pillars of our business.

Logic/Foundry	・Acquired newly developed POR*2 with GAA*3 ・TAM will expand with the second generation, as we aim for further new POR acquisition. ・We aim to expand our market share as the batch film deposition process increases with CFET*4 (1.4 times that with FinFET*5).
DRAM	・Acquired new POR with high-difficulty film deposition of cutting-edge DRAM. ・TAM will expand with the second generation, as we aim for further new POR acquisition. ・As the structure of 3D DRAM devices become more complex, we aim to expand our market share as we did with 3D NAND.
NAND	・With our large batch and mini-batch film deposition systems, we have already secured a dominant market share in the 3D NAND film deposition process. ・Demand is expected to grow as the market recovers and devices become increasingly multi-layered.

*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 Abbreviation of Process of Record, referring to certification of manufacturing equipment used in the customer's semiconductor manufacturing process.
*3 Abbreviation of Gate All Around
*4 Abbreviation of Total Addressable Market
*5 Abbreviation of Fin Field-Effect Transistor
*6 Abbreviation of Complimentary Field Effect Transistor

Overview of the Service Business

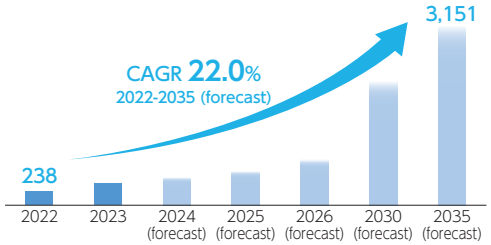
We provide after-sales services for semiconductor manufacturing equipment manufactured and sold by the Group, such as maintenance services, repairs, parts sales, and relocation and modification of equipment. In semiconductor production plants, semiconductor manufacturing equipment operates 365 days a year. For this reason, in addition to highly durable products, we provide after-sales services for our products, including product maintenance and repairs, parts sales, and relocation and modification of equipment. Further, as well as sales, etc. of equipment for wafers of 200 mm and smaller and second-hand equipment, we have established a training center that provides lectures on equipment maintenance and operation methods, to ensure that our customers use the Group's semiconductor manufacturing equipment correctly and in the most efficient way.



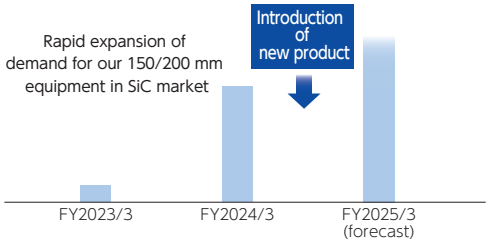
SiC power devices

In the SiC power devices market, with the growing need for high-temperature activated annealed equipment, demand is expected to expand alongside the shift in device wafer size from 150 mm to 200 mm. While we will continue to launch new high-temperature activated annealed products for SiC power devices, we anticipate growth in sales of existing products. We also anticipate expansion of sales of new high-temperature activated annealed products from the fiscal year ending March 31, 2026.

SiC Device Market Trends (billion yen)



SiC-related Sales



High-Temp Activation Anneal (new product)

- Features a new heating system to reach extremely high temperatures and a common platform for 150/200 mm wafers
- Mass production expected to begin in 2025 or later

Topics Tonami Manufacturing Center

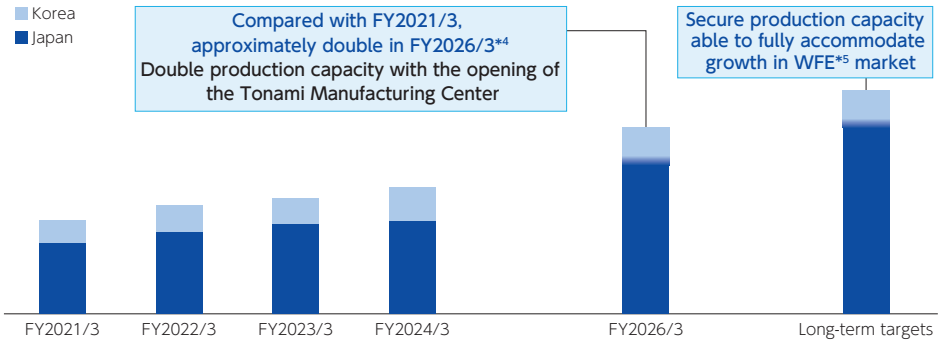
With the construction of the Tonami Manufacturing Center as a new factory in Tonami City, Toyama Prefecture, the Toyama Technology & Manufacturing Center will shift some of its manufacturing functions to the Tonami Manufacturing Center and expand its development functions. As a result, manufacturing capacity in the fiscal year ending March 31, 2026 will expand to approximately double that of the fiscal year ended March 31, 2021 and development capacity will increase by 50. We will establish systems capable of accommodating the expansion of demand until the fiscal year ending March 31, 2031.

Overview of the Tonami Manufacturing Center

Name	Tonami Manufacturing Center
Address	Shimonakajo, Tonami City, Toyama Prefecture
Site area	Approx. 40,000 m²
Capital investment	Approx. 24.0 billion yen
Use/purpose of construction	Expansion of manufacturing/production capacity of semiconductor manufacturing equipment and strengthening of existing R&D systems at Toyama Technology & Manufacturing Center

Tonami Manufacturing Center SFX200*1 Concept

Expansion of production capacity

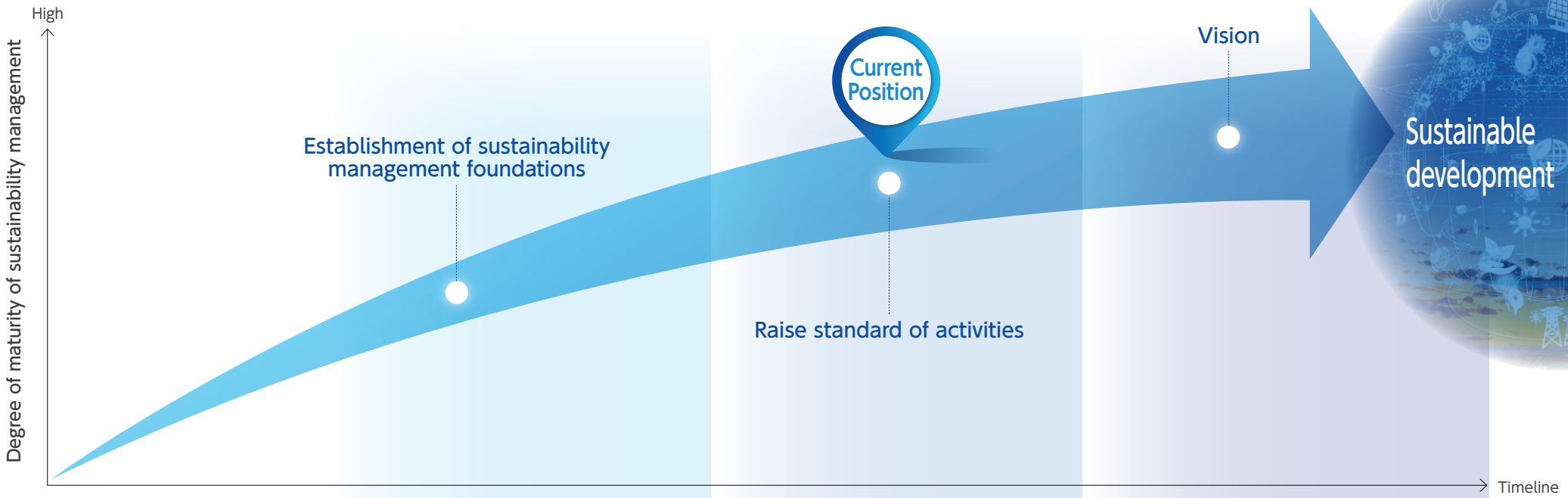


*1 SFX200 is an abbreviation of Smart Factory Transformation combined with the concept name of a project to continuously increase productivity by 200% (more than double) through various initiatives.
*2 SX is an abbreviation of Smart Transformation, which refers to activities for the transformation to smart production/management using IoT, IT, digitalization and other leading-edge technologies and data.
*3 Refers to production capacity per unit of equipment installation area. The benchmark is the production efficiency of the Toyama Works in FY2021/3.
*4 KOKUSAI ELECTRIC investment plans
*5 Abbreviation of Wafer Fab Equipment, referring to semiconductor manufacturing equipment.

ESG Strategy

Initiatives for the resolution of environmental and social issues are growing in importance and in the amount of attention being paid to them. In light of this trend, we have drawn up a vision and medium- to long-term roadmap for the establishment of “global sustainability governance” for the realization of effective corporate governance and sustainable corporate growth, based on the latest developments in Japan and overseas, including the SDGs, and is promoting company-wide initiatives.

In our various initiatives, we commonly emphasize “the essence of KOKUSAI ELECTRIC” and aim to practice sustainable management based on the Group’s strengths and purpose as well as to enhance corporate value.



Roadmap for corporate value enhancement

Sustainability strategy	Establish Corporate Slogan and Purpose, identify materiality (key issues to be addressed)	Address materiality, confirm progress, review periodically	Realize Corporate Slogan and Purpose, achieve materiality KPIs
Engagement strategy	Promote “Tai-wa” with individual stakeholders, formulate engagement policy		Establish engagement with individual stakeholders
Sustainability disclosures	Ascertain gap with external expectations such as ESG evaluation bodies and disclosure guidelines	Inclusion in ESG Index	Establish disclosure system as an excellent ESG company
	Expand disclosures on website and in integrated reports, corporate governance reports, securities reports, etc.		
Sustainability promotion structure	Establish and strengthen global sustainability governance structure (establish and operate Sustainability Committee, disseminate activities to Group companies, etc.)		Establish sustainability promotion structure

Key Financial Data for 4 Years

Key Items	FY2021/3	FY2022/3	FY2023/3	FY2024/3
Revenues (million yen)	178,023	245,425	245,721	180,838
Gross profit (million yen)	75,951	107,069	100,805	74,965
Gross profit margin (%)	42.7	43.6	41.0	41.5
Operating profit (million yen)	60,037	70,652	56,064	30,745
Operating profit margin (%)	33.7	28.8	22.8	17.0
Income before income tax (million yen)	50,504	69,264	55,895	29,757
Income before income tax margin (%)	28.4	28.2	22.7	16.5
Net income attributable to owners of the parent (million yen)	33,043	51,339	40,305	22,374
(Reference) Adjusted operating profit (million yen)	52,413	79,421	64,251	37,839
(Reference) Adjusted net income (million yen)	31,903	55,566	45,985	27,296
Total equity (million yen)	64,943	119,519	160,881	187,388
Total assets (million yen)	273,769	356,532	373,539	375,433
Interest-bearing liabilities (million yen)	125,760	123,191	99,206	93,018
Net cash (million yen)	(85,721)	(14,792)	6,847	(399)
R&D expenses (million yen)	7,552	9,885	12,425	12,683
Capital expenditures (million yen)	2,562	3,322	6,568	20,454
Depreciation and amortization (million yen)	9,609	10,004	10,304	10,945
Cash flows from operating activities (million yen)	51,127	73,615	29,993	2,942
Cash flows from investing activities (million yen)	(3,312)	(3,348)	(7,825)	(11,950)
Cash flows from financing activities (million yen)	(48,317)	(3,508)	(25,113)	(6,312)
Free cash flows (million yen)	47,815	70,267	22,168	(9,008)
Equity per share attributable to owners of parent (yen)	281.87	518.75	698.26	811.20
Basic earnings per share (yen)	143.42	222.83	174.93	96.82
Dividend per share (yen)	–	–	–	11.00
Dividends payout ratio (%)	–	–	–	11.4
R&D expenses ratio (%)	4.2	4.0	5.1	7.0
Equity ratio (%)	23.7	33.5	43.1	49.9
(Reference) Return on equity (ROE) (%)	47.3	60.2	32.8	15.7
(Reference) Return on invested capital (ROIC) (%)	17.1	25.6	18.3	10.1

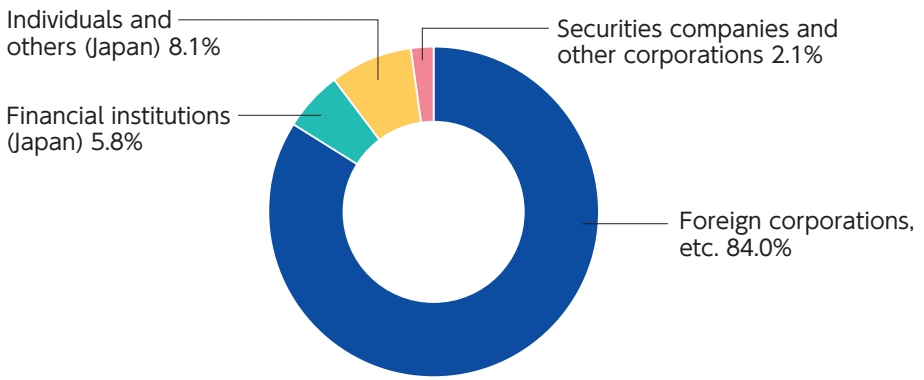
*1 The Group prepares its consolidated financial reports based in accordance with International Financial Reporting Standards (IFRS)
*2 Dividend per share and dividends payout ratio are stated only after the Company's stock was listed. Dividend per share for the fiscal year ended March 31, 2024 is an amount for a half year as the Company's stock was listed in the 2H.

Company Information/State of Shares

Company Outline/Information on Shares (as of March 31,2024)

Company Name	KOKUSAI ELECTRIC CORPORATION
Established	February 2, 2017
Address of Head Office	5th floor, oak Kanda Kajicho (Bldg.), 3-4 Kandakaji-cho, Chiyoda-ku, Tokyo 101-0045, Japan
Paid-in Capital	¥11.262 billion
Number of Employees	Consolidated: 2,472 persons/ Non-consolidated: 1,125 persons
Listing	Tokyo Stock Exchange Prime Market
Securities code:	6525
Total number of authorized shares	900,000,000 shares
Total number of issued shares	232,928,202 shares
Business year	From April 1 to March 31 of the following year
Annual Shareholders Meeting	Every June
Record date	March 31
Year-end dividend recipient shareholder record date	March 31
Interim dividend recipient shareholder record date	September 30
Share unit	100 shares

Distribution of shares by type of shareholders (as of March 31,2024)



Major Shareholders (as of March 31,2024)

Name of shareholder	Number of shares held (shares)	Shareholding ratio (%)
KKR HKE Investment L.P.	101,025,800	43.37
BNYM AS AGT/CLTS NON TREATY JASDEC	34,759,830	14.92
KSP Kokusai Investments, LLC	15,619,500	6.70
SSBTC CLIENT OMNIBUS ACCOUNT	14,083,454	6.04
Qatar Holding LLC	11,520,000	4.94
The Master Trust Bank of Japan, Ltd. (trust account)	9,803,300	4.20
Custody Bank of Japan, Ltd. (trust account)	2,051,000	0.88
BNYM SA/NV FOR BNYM FOR BNY GCM CLIENT ACCOUNTS M LSCB RD	1,952,140	0.83
NORTHERN TRUST CO. (AVFC) RE IEDU UCITS CLIENTS NON LENDING 15 PCT TREATY ACCOUNT	1,506,900	0.64
CEPLUX THREADNEEDLE (LUX)	1,097,900	0.47

* As stated in Notification Regarding Secondary Offering of Shares disclosed on July 10, 2024, the Company carried out secondary offering of its common stock (60,381,700 shares) held by major shareholders, KKR HKE Investment L.P. and KSP Kokusai Investments, LLC. As a result, the present status of major shareholders is considerably different from the above-mentioned status as of March 31, 2024. For details of the secondary offering of shares, please refer to the Company's website.

Technology & Tai-wa for Tomorrow

KOKUSAI ELECTRIC CORPORATION
https://www.kokusai-electric.com/en