**6x BREAK DOWN – NEAR TERM PRIORITIES**

### Execution of mid-term plan
- Capacity expansion
- Inventory management
- M&A

### Valuation gap-fill
- Down cycle management
- Shareholder return
- FCF conversion

### Multiple expansion
## Progress to Date

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Gross Margin</th>
<th>Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>6,204 oku yen</td>
<td>43%</td>
<td>12%</td>
</tr>
<tr>
<td>2020</td>
<td>6,357 oku yen</td>
<td>48%</td>
<td>19%</td>
</tr>
<tr>
<td>2021</td>
<td>8,894 oku yen</td>
<td>54%</td>
<td>29%</td>
</tr>
<tr>
<td>2022</td>
<td>12,282 oku yen</td>
<td>56%</td>
<td>35%</td>
</tr>
</tbody>
</table>

### Mid-term model*1

- **Total**
  - Grow @SAM+
  - 50-55%
  - ≈60%
- **Automotive**
  - Grow @SAM
  - 25-30%
  - 20-25%
- **Industrial, Infra and IoT**
  - Grow @SAM++
  - ≈45%
  - 30-35%

---

*1: FX 1USD=100yen, 1EUR=120yen. Excluding 6" fab shutdown & structural reform-related EOLs. Excluding NREs
OPERATIONAL RESILIENCE

**Margin trajectory**

- Gross margin
- Operating margin
- YoY*2

**Semi market**

**Key trend**

<table>
<thead>
<tr>
<th>2019</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of revenue</td>
<td>60%</td>
</tr>
<tr>
<td>40%</td>
<td>40%</td>
</tr>
<tr>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>

**Fixed cost**

- Inhouse
- Foundry

**Front end production**

- Inhouse
- Foundry

**Product mix**

- Power
- SoC
- Analog
- MCU

---

*1: Company data, Non-GAAP. Quarterly basis. *2: Semiconductor Industry Association
YoY GROSS MARGIN

58% 55%

1H 2022 Adjusted*1 1H 2023 Adjusted*1

*1: Based on adjusted revenue. FX 1USD=100yen, 1EUR=120yen. Excluding 6" fab shutdown & structural reform-related EOLs. Excluding NREs. 1H 2023: 1Q 2023 actual + 2Q 2023 Guidance mid-point.
CAPEX & CAPACITY EXPANSION

Inhouse capacity expansion*1

<table>
<thead>
<tr>
<th>Advanced process</th>
<th>Mature process</th>
<th>Power discrete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foundry</td>
<td>N3, Kawashiri &amp; Saijo</td>
<td>K6, N2 &amp; Takasaki</td>
</tr>
</tbody>
</table>

(Foundry) (KW/M)

2022 2030

MCU/Analog

K6 Takasaki SiC

Capacity & capex% of revenue*2

(KW/M)

2022 2023 2024 2025 +2-3Yrs

MCU/Analog K6 Takasaki SiC

*1: Inch equivalent, *2: Management accounting and authorization basis
INVENTORY STRATEGY

Strategic inventory*1

<table>
<thead>
<tr>
<th></th>
<th>DOI 120 days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw material</td>
<td></td>
</tr>
<tr>
<td>BCM stock</td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td></td>
</tr>
<tr>
<td>WIP</td>
<td></td>
</tr>
<tr>
<td>1Q 2022</td>
<td></td>
</tr>
<tr>
<td>1Q 2023</td>
<td></td>
</tr>
<tr>
<td>Updated model</td>
<td></td>
</tr>
</tbody>
</table>

Die bank

<table>
<thead>
<tr>
<th></th>
<th>1Q 2022</th>
<th>1Q 2023</th>
<th>Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOI (oku yen)</td>
<td></td>
<td></td>
<td>+40%</td>
</tr>
</tbody>
</table>

Leadtime

<table>
<thead>
<tr>
<th></th>
<th>MCU/MPU</th>
<th>Analog/Power</th>
<th>Custom</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Weeks)</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Case by case

*1: Excluding FX effects  DOI: Days of Inventory
LOOKBACK ON CAPITAL ALLOCATION – SIZABLE M&A

**Revenue**

- **% vs. Announced Year**
- **CY2016** vs. **CY2022**
  - Intersil: +99%
  - IDT: +33%
  - Dialog: +7%

**Cost Synergy**

- **% vs. Plan**
- **Plan** vs. **Closing +2yrs**
  - Intersil: c.30% of LTM OP²
  - IDT: c.30% of LTM OP²
  - Dialog: c.40% of LTM OP²

- **CY2018** vs. **CY2022**
  - Intersil: +12%
  - IDT: +10%
  - Dialog: +6%

*1: Enterprise value basis, *2: Non-GAAP basis
*3: Calculated in annual run rate which is determined by multiplying the 4Q result of the relevant year or the forecast by 4

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LOOKBACK ON CAPITAL ALLOCATION – TUCK-IN

**Connectivity**
- **Celeno** Wireless Communications: Advanced Wi-Fi chipsets
- Panthronics (expected): NFC solutions

**AI / Software**
- **STERADIAN**: 4D imaging radar solution
- RealityAI: Embedded AI solutions

**Platform**
- **SEQUANS**: Cellular IoT chipsets
- JARIET Technologies: Wireless transceiver solution
- **SYNTIANT®**: AI based chipsets
- **ARDUINO**: Shared platform & Customer expansion

**Total Investment: c.$450mm**
CAPITAL ALLOCATION POLICY

- **Organic growth**
  - Invest to capture demand in mature process
  - Increase DOI to shorten lead time and BCM purpose

- **Financial soundness**
  - Target <1.0x net leverage

- **M&A**
  - Continue to acquire complementary technology

- **Shareholder return**
  - Resume dividend payments as reasonably soon as possible, starting at a modest level
  - Consider share buyback as a flexible alternative
# MODEL HOUSE KEEPING

<table>
<thead>
<tr>
<th>Metric</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue growth</td>
<td>SAM+</td>
</tr>
<tr>
<td>Gross margin</td>
<td>50~55%</td>
</tr>
<tr>
<td>R&amp;D %</td>
<td>≈16%</td>
</tr>
<tr>
<td>SG&amp;A %</td>
<td>≈8%</td>
</tr>
<tr>
<td>Operating margin</td>
<td>25~30%</td>
</tr>
<tr>
<td>EBITDA margin</td>
<td>35~40%</td>
</tr>
<tr>
<td>Tax rate</td>
<td>15~20%</td>
</tr>
<tr>
<td>Capital expenditures</td>
<td>5% as mid-term average</td>
</tr>
<tr>
<td>Inventory</td>
<td>120 days</td>
</tr>
<tr>
<td>FCF margin</td>
<td>20~30%</td>
</tr>
<tr>
<td>Net leverage</td>
<td>&lt;1.0x in mid-term</td>
</tr>
</tbody>
</table>
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