

INNOTECH Corporation New Mid-term Management Plan (FY2024~2026)



**Review of Current Mid-term
Management Plan
(FY2019~2023)**

Review of Current Mid-term Management Plan

■ Growth of Test Solution Business

- Business dramatically expanded during the past five years
- ⇒Future challenge is to enrich resources and product line-up for general purposes

■ Expansion of Sales of Internally-developed Products/Strengthening Manufacturing Functions

- Over 70% of sales including sales of services come from INNOTECH internally-developed products
- ⇒Future key is to select the right target market, to focus on product development for such target market, and to strengthen cooperative scheme with EMS companies

■ Growing Customer Base/Cultivating Overseas Market

- Diversified products are penetrating many different customers
- Test solution business is rapidly expanding in Asia and North America
- Sanei Hytechs is entering into overseas market

⇒Aiming deployment to overseas market of other products in addition to testers, taking geopolitical risks into consideration

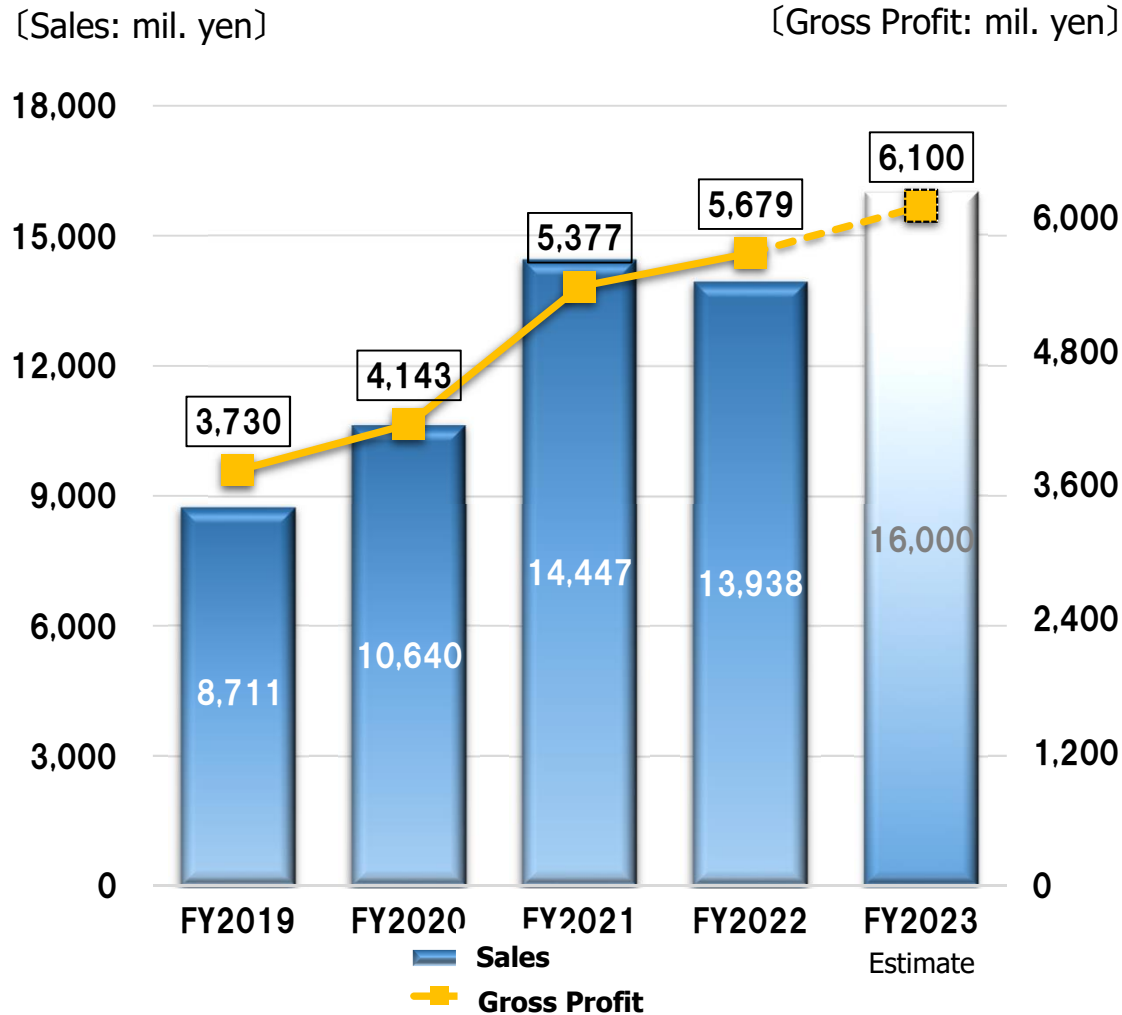
■ Active Participation in New Business Areas

- As for CVC investments, certain achievements were made mainly for object recognition and arm control AI for industrial robotics

⇒Continue to cultivate areas where INNOTECH Group element technology can be leveraged.

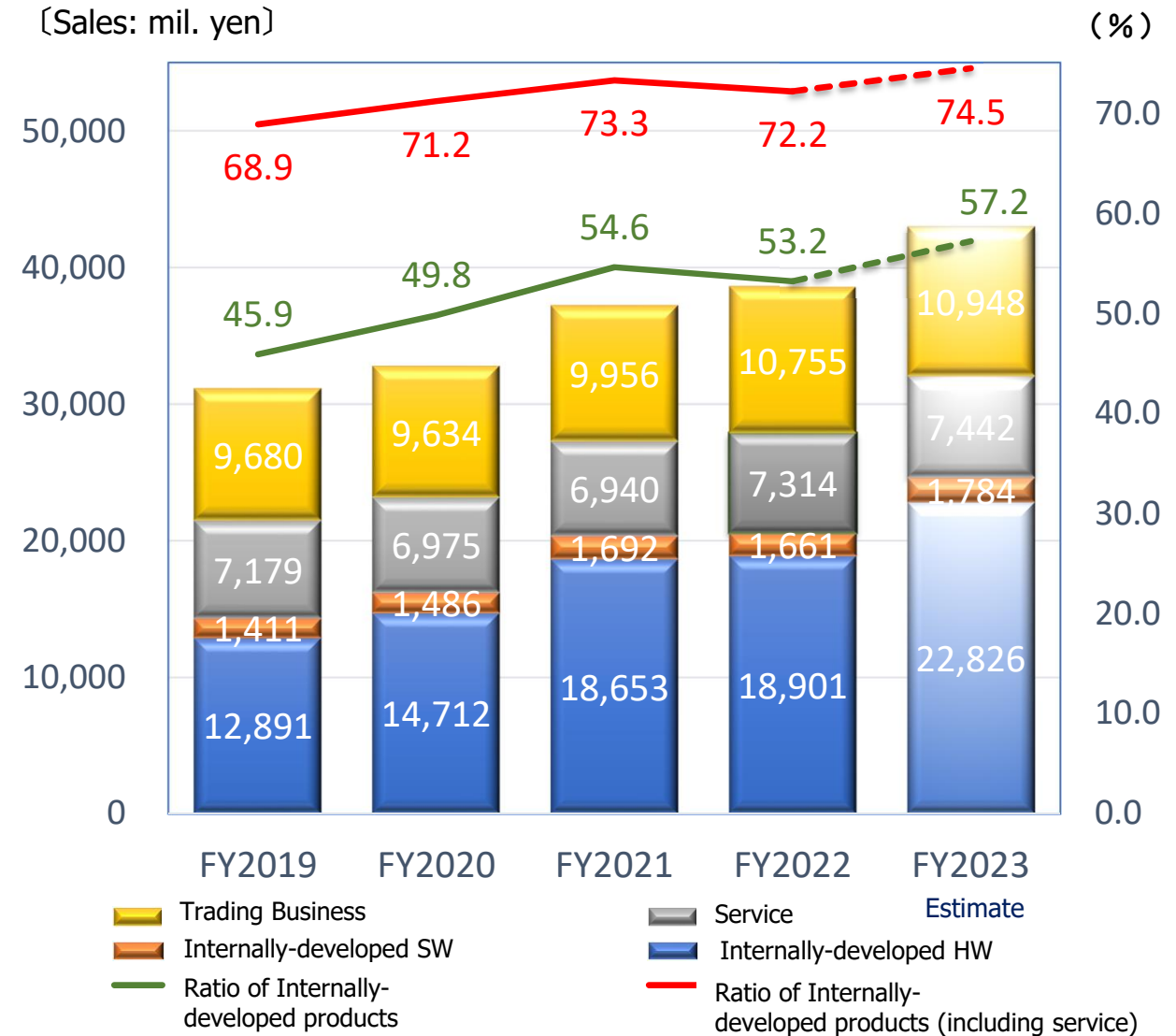
Growth of Test Solution Business and Trend of Sales Ratio of Internally-developed Products

【Test Solution Business Results】



(※) Rounded down to the nearest 1 million yen

【Sales Ratio of Internally-developed Products】



Trend of Overseas Business and New Business Deployment

(mil. yen) **Overseas Sales (Consolidated)**



Automated solution utilizing OSARO Recognition and Control AI for industrial robotics



Edge face recognition for industrial machinery

1. Various solutions become available using human **face** with highly sophisticated recognition technology



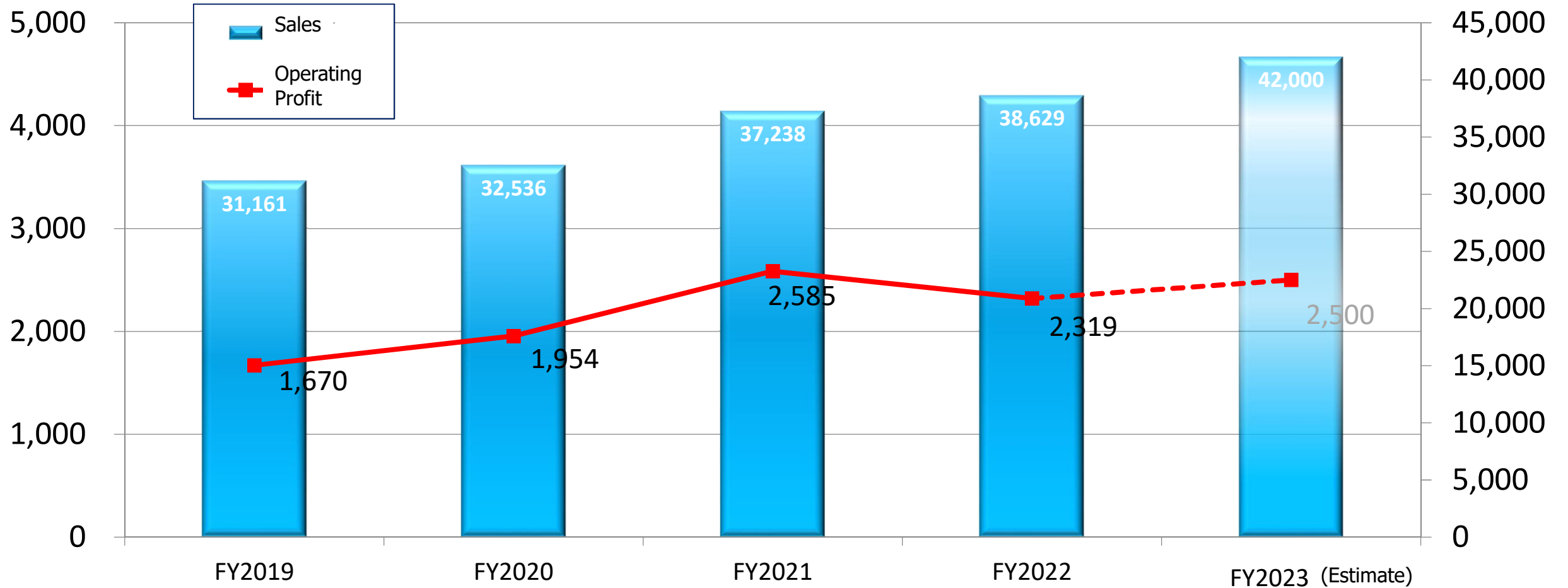
Development/sales/providing services of cloud settlement system



FY2019~2023 Business Trend

Operating Profit
〔mil. yen〕

Sales
〔mil. yen〕

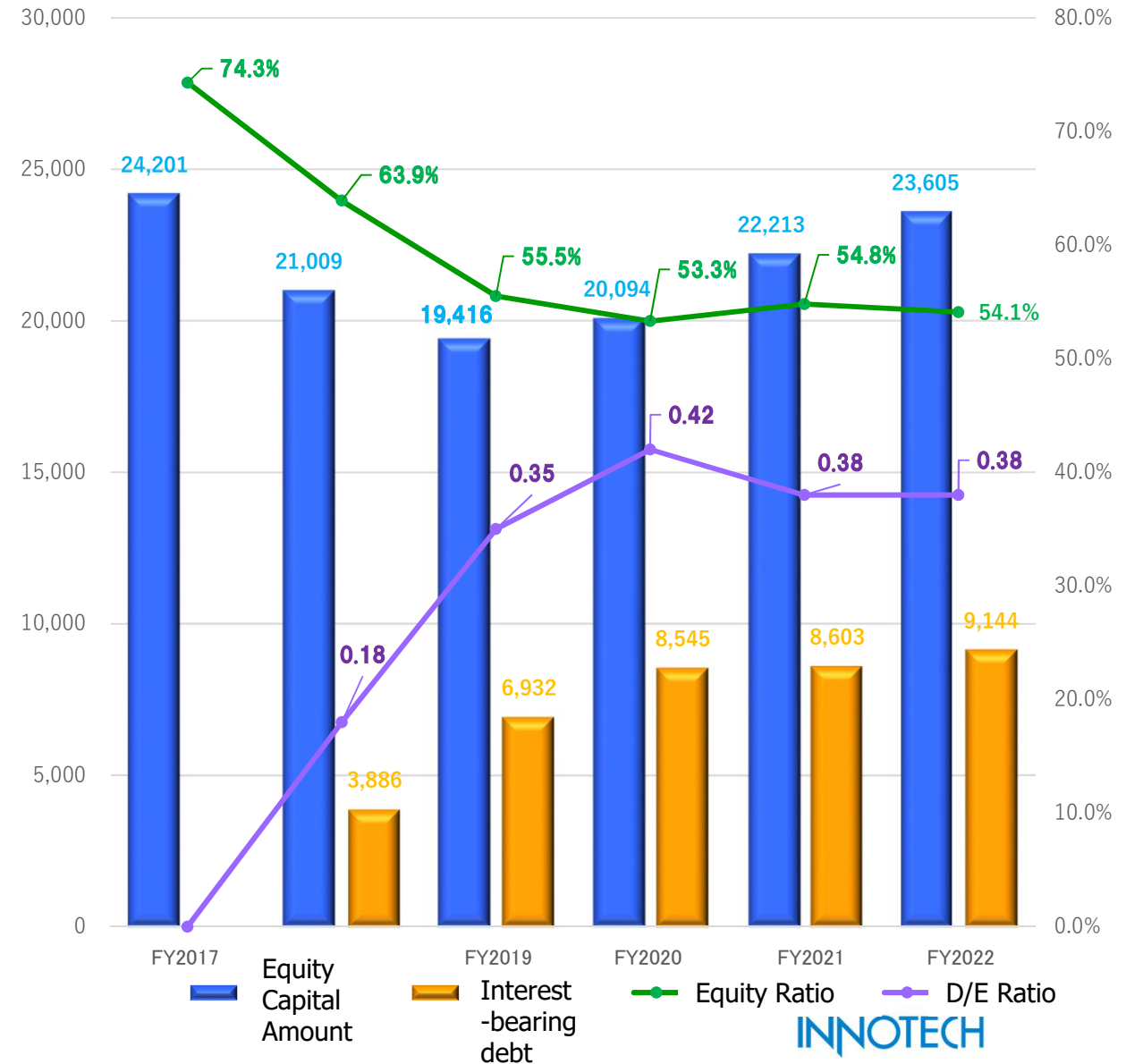
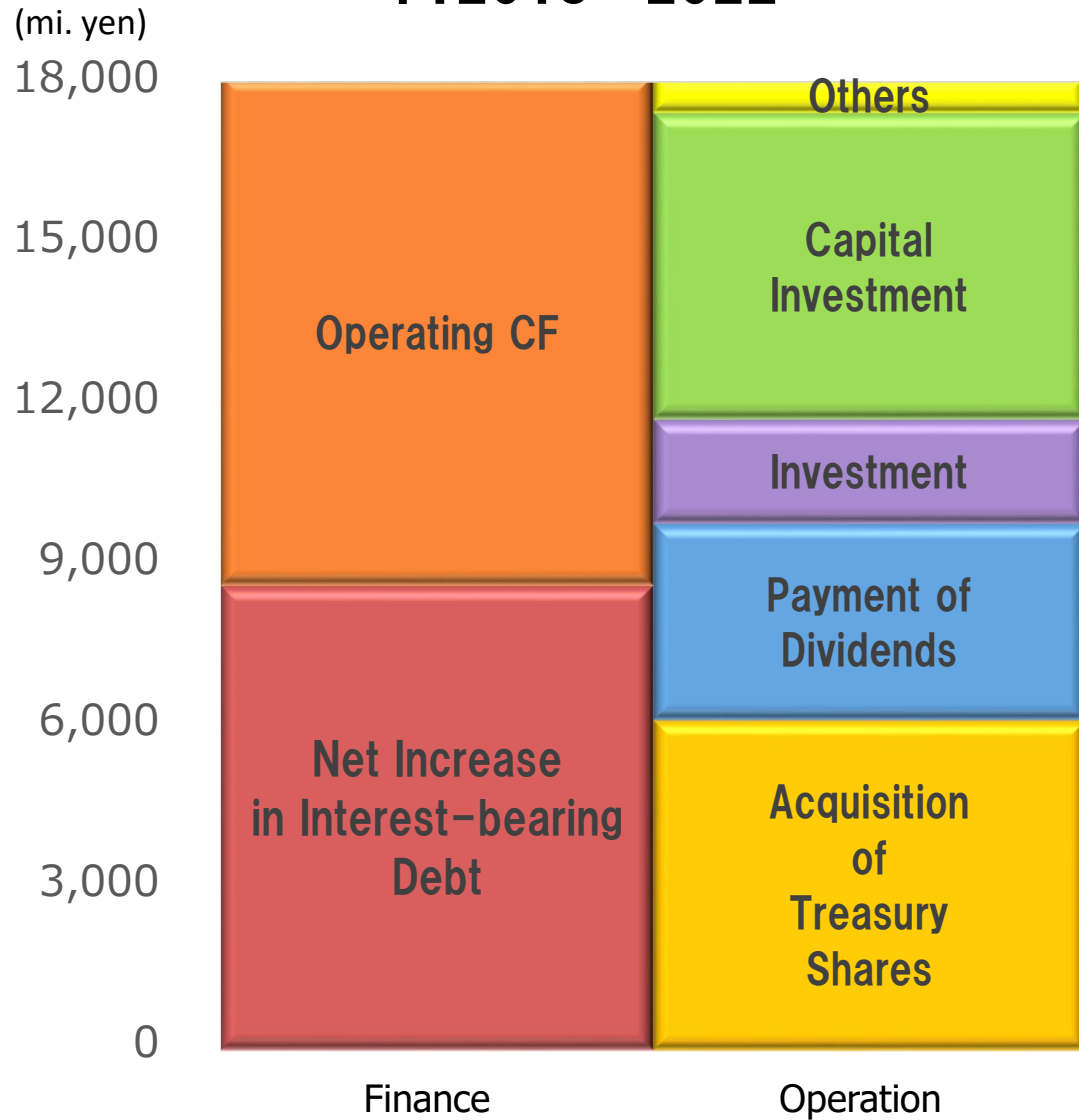


(*) Figures on the top of the bars are the total sales for the fiscal year.

(*) FY2023 figures are on the estimate basis after the revision was announced on November 9, 2023.

Cash Flow and Capital Structure

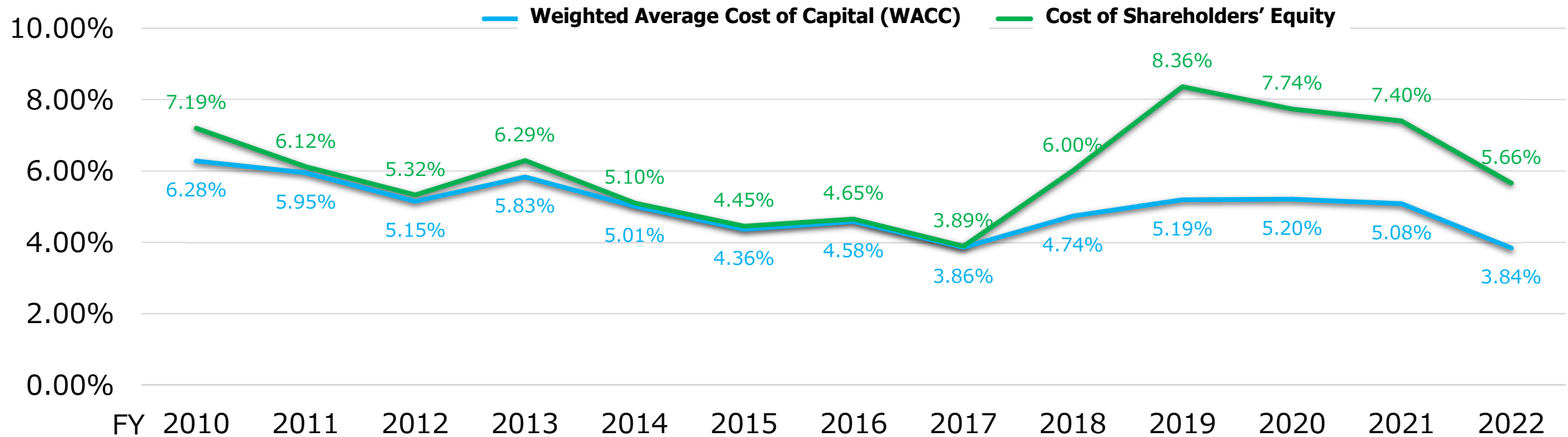
FY2018~2022



INNOTECH Approach on Cost of Capital

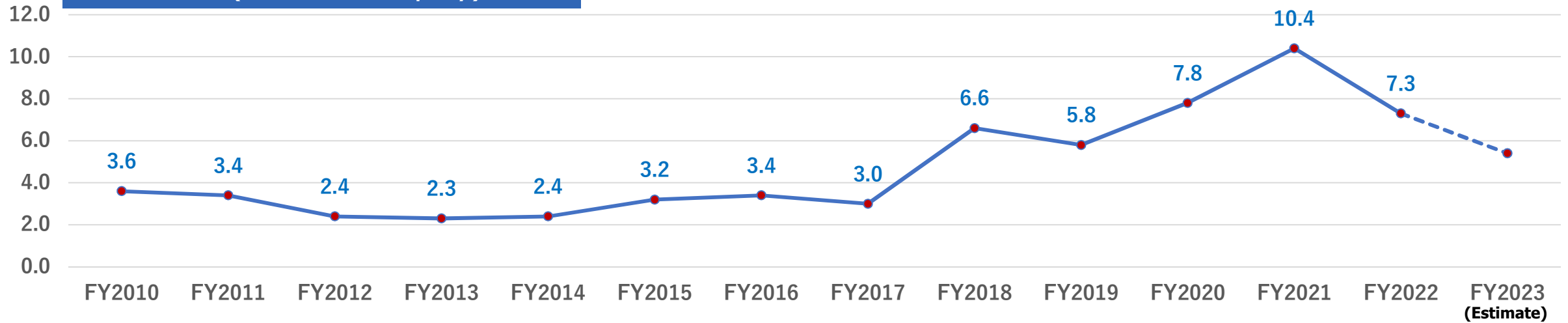
- Cost of capital is the investors' expected ratio of return; cost of shareholders' equity should be set as minimum 8%.
- As for the cost of capital, both the value based on the outside data (CAPM) and the value based on the assumption that the cost of shareholders' equity is 8% are calculated and shared company-wide.

【Values Based on the Outside Data (CAPM)】

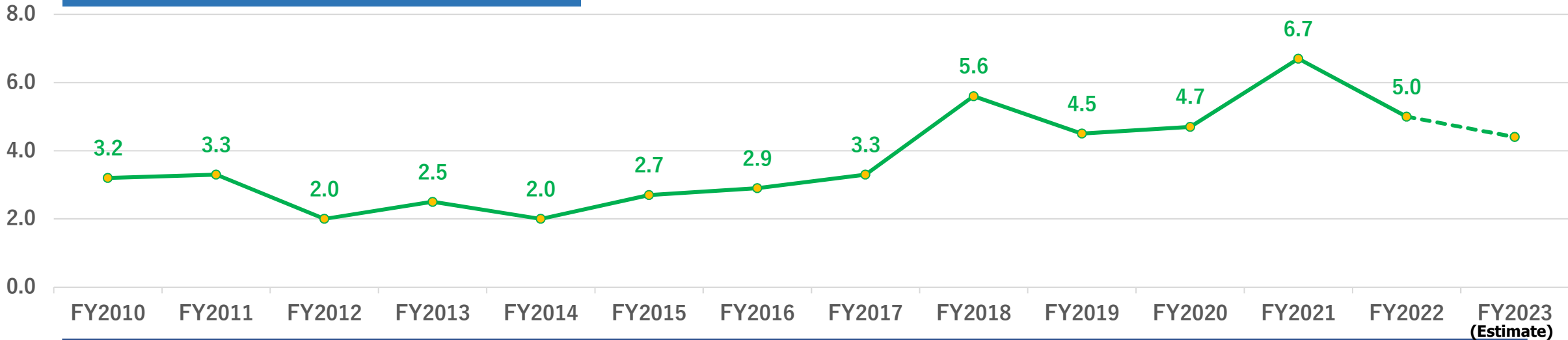


ROE and ROIC Trends

ROE (Return on Equity)



ROIC (Return on Invested Capital)



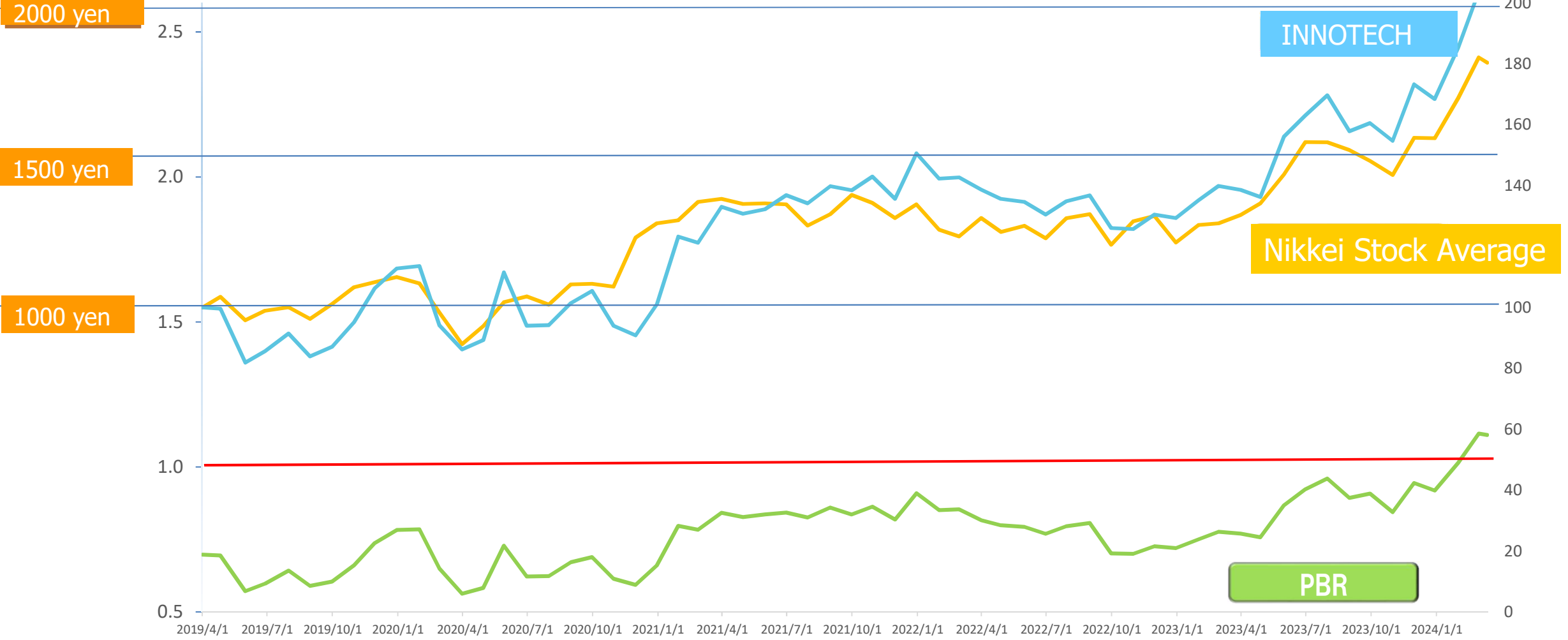
➤ 10.4% of ROE was once achieved in FY2021; however due to the extraordinary losses accrued, ROE of the final fiscal year, FY2023, should not reach 8%.

FY2019~2023 Share Price and PBR Trends

INNOTECH Share Price

Compared to the April 2019 [%]

PBR (Multiples)




➤ Share price more than doubled and PBR grew more than x1 as the cost of capital went down and dividends went up.

Current Status: Assessment and Analysis

$$\mathbf{PBR = ROE \times PER}$$

$$\mathbf{PER = \frac{1}{\text{Cost of Capital} - \text{Expected Growth Rate}}}$$

- As the capital structure significantly changed by acquisition of treasury shares and expansion of business, the return on capital index has dramatically increased while 8% or higher ROE has not been stably achieved.
- WACC declined by the use of debt but the business results are sensitive to the semiconductor market trends and specific customers' business behaviors, thus the cost of shareholders' equity (β value) may be high.
- INNOTECH strategy for growth may not be understood sufficiently by the investors.



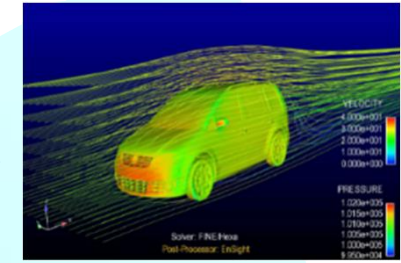
**New Mid-term Management Plan
(FY2024-2026);
Basic Policy**

Our Challenges; Development of Technology and Innovation

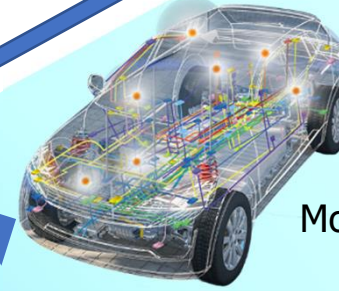
Realize INNOTECH-original solutions with cross-sectional efforts as an entire enterprise group, leveraging its element technology, to keep up with technical evolution and new business areas, such as by supporting chip-let and providing simulation platforms.



ML/AI

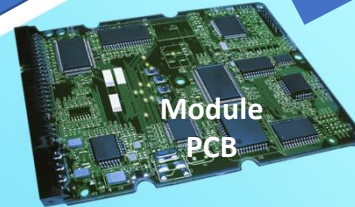


Thermal Fluid Analysis



Model Based Design

System



Module
PCB

-3DIC: Chip-let

- Demands for various chips and mixture with different manufacturer chips
- No need for cutting-edge process
- Thermal and noise issues



Distributed processing/Cloud environment
Large-scale simulation



Chip



Package

- Miniaturization of LSIs ($\mu\text{m} \rightarrow \text{nm}$)
- Demands for Power ICs and Mixed Signal
- Movement from FPGAs to ASICs

Company-wide Management Strategy: Our Vision and Mission

Our Vision

INNOTECH Changes the Future

~**INNOVATION TECHNOLOGY**~



Our Mission

- Connect cutting-edge technologies and people, and contribute to achieving more prosperous and comfortable future society
- Resolve customers' challenges together, understanding customers' standpoint
- Provide unique added values as INNOTECH

Numerical Target

Basic Direction

- Both profitability (e.g., ROE) and growth (PER) must improve to increase share price and PBR

Numerical Target

- Aim to achieve 10% ROE (maintain minimum 8% or more)
- Aim to achieve 8% ROIC (maintain minimum 6% or more)

Model Financial Results

- Marked the record highest consolidated operating profit in FY2007; 3.33 billion yen
- 7~8% Operating Profit Ratio

Action to Implement Management that is Conscious of Cost of Capital and Stock Price (Group-wide Business Policy)

Basic Strategy to Improve ROE and PER (Enhance ROE, Reduce Cost of Capital, and Increase Expected Growth Rate)

- Expanding operating profit
 - Grow and improve profitability of each business
 - Measures to improve work efficiency (Investment on digital transformation)

- Optimizing the business portfolio by redistributing management resources
 - Focus investment in the growing business areas
 - Business Reassessment and Group Reorganizations

- Achieving performance stability
 - Build stronger recurring revenue business models
 - Part from dependence on specific customers
 - Enrich product line-up.

Basic Policy on Business Portfolio ①

[Basic Policy]

INNOTECH contributes to realizing sustainable society by resolving customers' challenges. Also, INNOTECH strives toward enhancing our corporate value by optimizing our business portfolio, taking profitability and growing potential of our businesses, and our capital efficiency into account.

[Structure and Positioning of Business Portfolio]

INNOTECH Group has three business segments, which are "Test Solution Business", "Semiconductor Design-related Business", and "System Service Business", based on the products and services it provides. Each segment has its own manager so that INNOTECH business units and group companies work together and pursue their activities.

■ Test Solution Business

Semiconductor Test Systems, Reliability Testers, Probe Cards, and so on

■ Semiconductor Design-related Business

Semiconductor Design Software, Assistance of LSI Design and Development, Development of Simulation Models, and so on

■ System Service Business

Edge Computer, Cloud Settlement Service, Verification Tools for Embedded Software Development, AI Camera Systems, MBD Assistance, and so on

Basic Policy on Business Portfolio ②

INNOTECH Group positions its three business segments as follow and continues to optimize them, reviewing each of their business environment, economic trends, and growth potential.

Segment	Category	Specifics
Test Solution Business	Core Business	Major growth is expected while sensitive to semiconductor market conditions.
Semiconductor Design-related Business	Stable Business	Brings long-term and stable profit
System Service Business	Growing Business	Expected to grow in the future by increasing recurring revenue businesses

[Operation and Review of Business Portfolio]

INNOTECH Board of Directors periodically monitors progress of each business compared to the business plan of the fiscal year in order to achieve sustainable growth of INNOTECH Group and mid-term and long-term growth of corporate value. Also, at the end of each business year, the board examines the business portfolio structure, utilizing designated KPIs, such as return on capital, growth potential, competitiveness and so on and reviews the business portfolio as necessary.

With such PDCA cycle, INNOTECH optimizes the distribution of management resources.

Business Strategy (FY2024~2026)

Test Solution Business

- Putting Products for CIS in addition to Products for NAND Flash Memory as the center of business
- Aiming to achieve stable profitability by test peripheral solutions, such as burn-in boards
- STAR is focusing on solutions for foundries and power ICs.

Semiconductor Design-related Business

- Pursuing added values by software distribution + engineering
- Strengthening design services
- Leveraging MoDeCH technology

System Service Business

- Expanding marketing and business, capturing new trends in the automobile industry
- Building a cloud settlement service platform and deploying to a new market
- Ensuring to capture demands from the ODM, industrial PC, and logistics markets



Test Solution Business
~Enriching and Optimizing Product
Portfolio~

Test Solution Business

~Enriching and Optimizing Product Portfolio~

Winning a new market and customers by enriching tester business product line-up

- Expanding product line-up in addition to Products for NAND Flash Memory as a core;
 - Increasing solutions for other devices such as CMOS image sensors; and
 - Providing test peripheral solutions requiring special technologies, such as burn-in solutions; and
 - Aim to grow business for the robotics area.



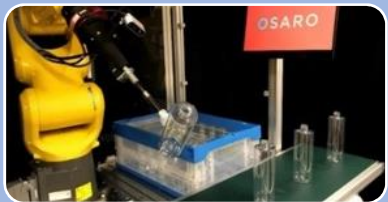
Next-generation NAND flash memory test system

- Develop and provide high-efficiency test solution for cutting-edge memory products
- Develop and provide test peripheral solutions such as burn-in



Test Solutions for CIS

- Develop and provide high-speed image processing/interface solutions
- Provide test solutions for automotive CIS



AI Robotics Solution

- Develop and provide robotics solutions utilizing AI to improve efficiency of logistics



Test Solution Business

~Enriching and Optimizing Product Portfolio~

Optimizing STAr Product Portfolio

- Concentrate management resources on reliability testers and probe cards for foundries;
- Deploy to areas with high growth potentials, such as RF, compound, and power ICs

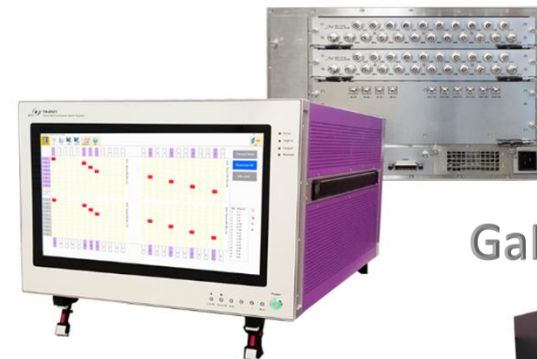
Foundry Solutions



*Virgo Prima
WAT MEMS
Probe Cards*



*Pluto PLR / WLR
Process Reliability Test System*



*Taurus Instruments
LI/HV Switch Matrix
Precision SMUs*

GaN SiC Solutions



*AARTS – Accel-RF
Accelerated Reliability Test System*



STAr Technologies

Semiconductor Design-related Business
~Stable Profit-maker to Solidify
INNOTECH Group Management Basis~

Semiconductor Design-related Business

~Stable Profit-maker to Solidify INNOTECH Group Management Basis~

Area of Development	LSI		Packaging		Print Circuit Board		System Analysis		Structural Analysis	
	Chip	Package	Module	PCB	System	Thermal	CFD	Thermal Fluid	CFD	
Solution	Design	Verification	Design	Verification	Design	Verification	EMC	Thermal	Thermal Fluid	CFD
Design and Analysis Tool cadence	→									
Modeling Business MODECH	→									
Design Service 三栄ハイテックス株式会社 SANEI HYTECHS co.,ltd.	→									

Become a stable profit-making pillar based on the current business model

Grow the areas of development and design support

- Expand the area from traditional IC design to board design and to system product design and aim to provide simulation platforms supporting efficient design and development;

Strengthen design service capabilities

- Achieve stronger scheme to provide services supporting design itself, not only to provide tools, working with Sanei Hytechs and MoDeCH.

System Service Business

~Mass Customization~

System Service Business ~Mass Customization~

Plan to release the "INNINGS EDGE FACE (temporary name)", which is edge face recognition for industrial machinery applications (Add-on to the manufacturing facility and machine tools)

Develop a system with human detection and stop control for construction machines and forklifts



Reception Terminals
Smart Login



Factory Equipment
Login, Operation Logs,
Human Tracking



Ensuring work-site safety contributes to sustainability as well



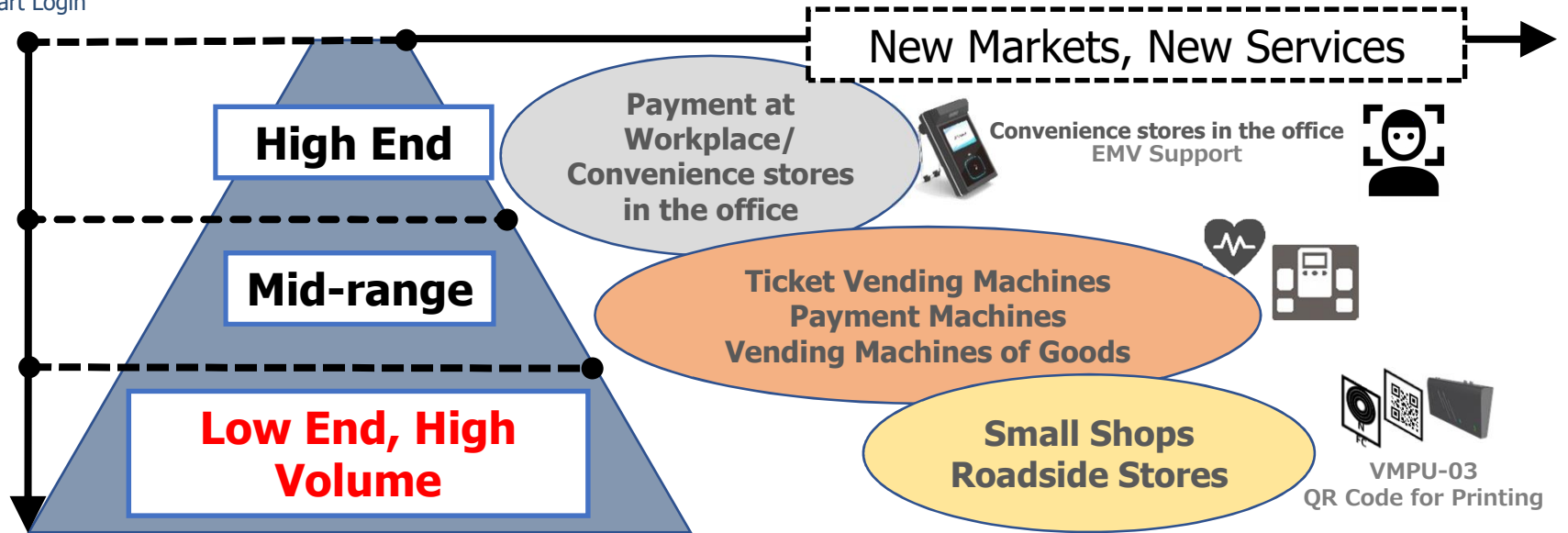
VMPU-04-E
EMV Support




VMPU-01L-E
EMV Support



VMPU-03
QR Code for Printing



Provide mass customization precisely addressing customers' needs in the B to B business areas

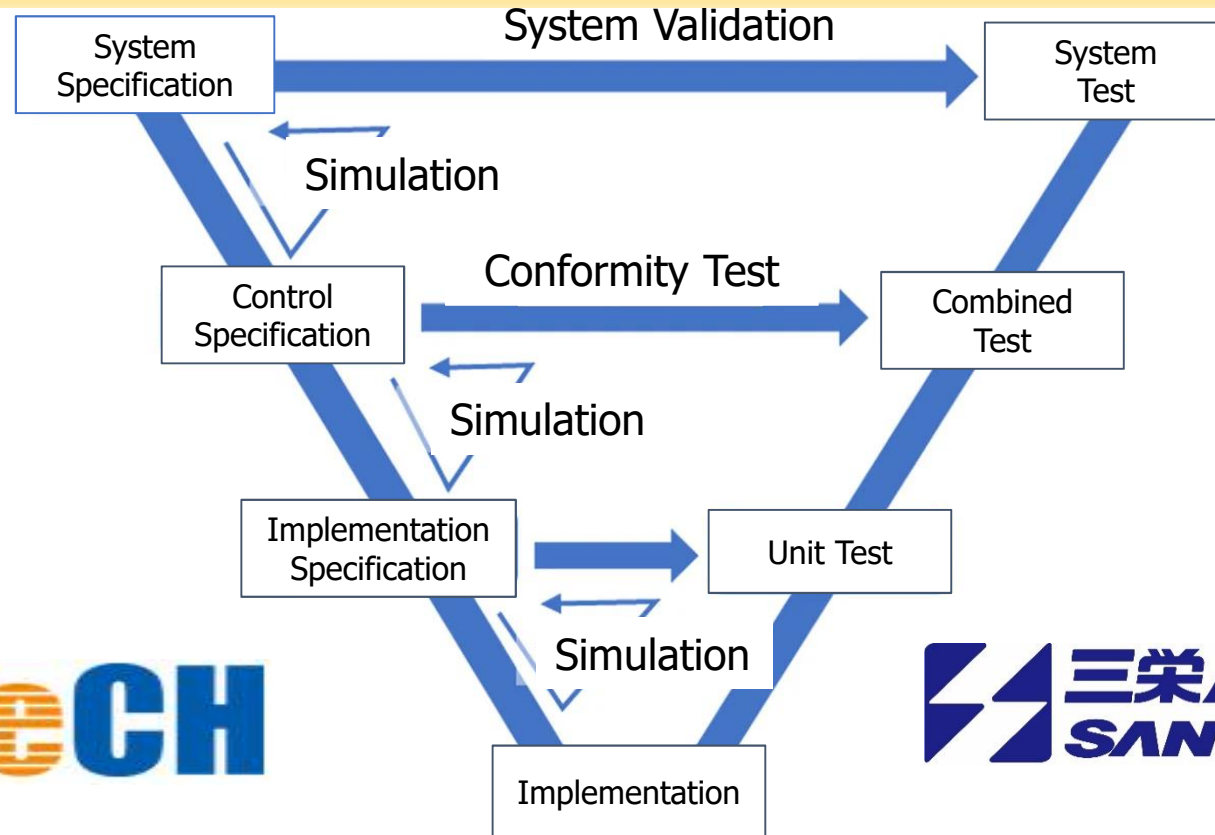
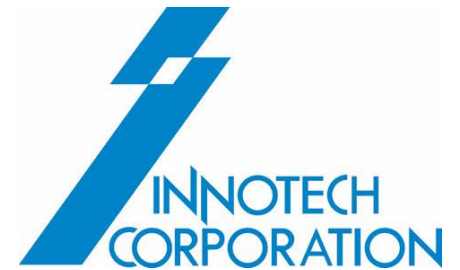


**Synergy Effects Beyond Multiple
Business Segments**
~Leveraging Simulation Platforms~

Synergy Effects Beyond Multiple Business Segments

~Leveraging Simulation Platforms~

Provide INNOTECH-unique solutions leveraging INNOTECH Group inside and outside element technologies



Focus on development of tools to improve design efficiency and quality as a proposed solution

Turning each design process knowhow to a module core

⇒Deploying a business model to sell IP Core+ Engineering Services

Policy on Investment for Growth

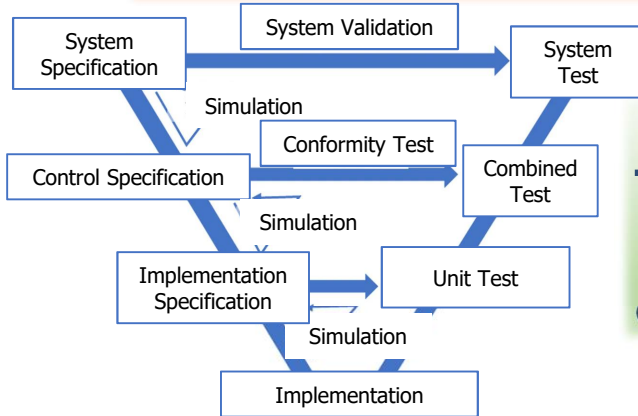


M&A

- Acquisition is a priority when investing in companies (majority investment)

Globalization

- Active overseas customer development
- Taking full account on geopolitical risks



Priority Areas (Cross-sectional theme as a Group)

- Areas with new growth potentials, such as chip-let and simulation platforms

Investment on Digital Transformation

- Continue measures to improve work efficiency



INNOTECH Financial Strategy (FY2024~2026)

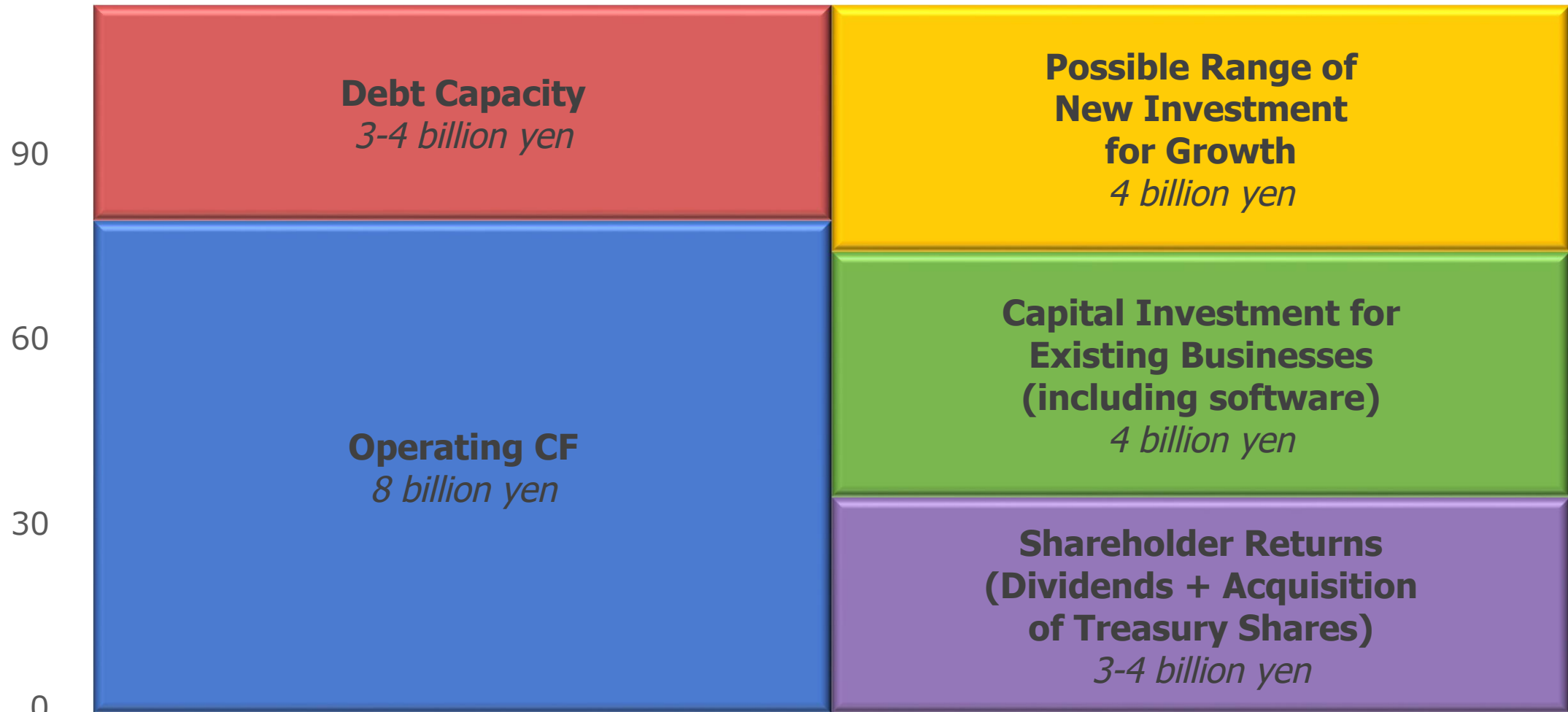
Actual Measures For the New Mid-term Management Plan

- Maximum 0.5 times of D/E ratio in order to maintain financial soundness and to take an agile investment approach for growth
- Effective utilization of a debt capacity
- Appropriate level of cash reserve to be set as up to twice the amount of monthly sales or so
- Dividend payout ratio to be kept around 50% as a shareholder return; treasury shares will be acquired as necessary
- Cross-shareholdings to be reviewed
- Achieving appropriate inventory levels and managing working capital

Financial Strategy (FY2024~2026)

INNOTECH Strategy for Growth and Capital Allocation Focusing on Shareholder Returns

(100 mil. yen)
120



Finance

Operation

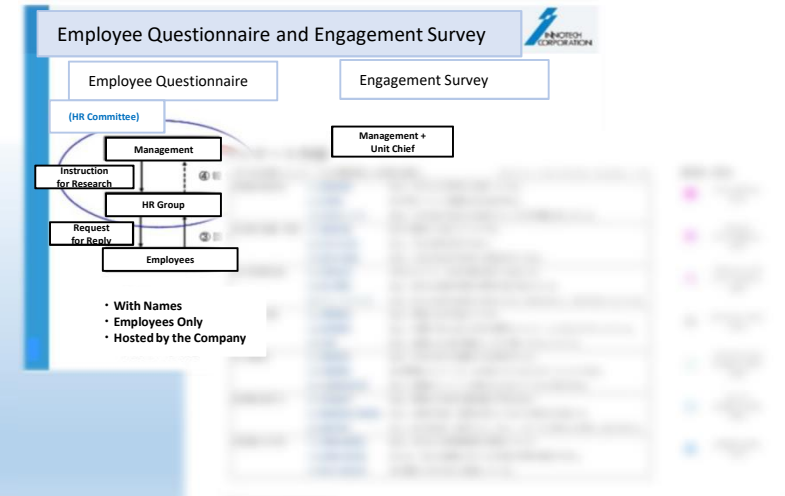
INNOTECH Efforts on Sustainability; Identifying Materiality and Continuing to Enhance Corporate Value

Materiality	Key Theme	KPI
Human Capital Management	<ul style="list-style-type: none"> Securing and nurturing human resources, Knowledge management Diversity and Inclusion Enhancing employees motivations Pursuing health and safety of workplace, Work-style reform, Improvement of work efficiency 	<ul style="list-style-type: none"> Ratio of female management: 5% in 2025, 10% in 2030 (Japan) Hiring ratio of female new-graduates: +30% (Japan) Childcare leave acquisition rate for male employees: +50% (Japan) Paid leave acquisition rate: +70% (Japan)
Supply Chain Management	<ul style="list-style-type: none"> Ensuring stable procurement of parts and components and product supply Securing access to sustainable energy resources INNOTECH Supplier CSR Code of Conduct 	<ul style="list-style-type: none"> Obtained letters of consent for the code of conduct from +80% of suppliers in terms of business amount (Non-consolidated basis) ※RBA member companies are deemed to have agreed to the code of conduct.
Solving Social Issues through Electronics Technology	<ul style="list-style-type: none"> Preserving the environment by environment-friendly products Enhancing productivity of customers Efforts to cultivate new technologies and new areas Improvement of productivity by quality management Achieving the so-called "Decent Work" 	<ul style="list-style-type: none"> R&D expense ratio (Consolidated basis): +4% 0 major accident
Harmonious Coexistence with the Society and Contribution to the Sustainable Future	<ul style="list-style-type: none"> Considering and contributing to the global environment and climate changes Promoting innovation and value creation Partnership with business counterparts 	<ul style="list-style-type: none"> Achieving net-zero Scope 1 and Scope 2 greenhouse gas (GHG) emissions by the year 2050.
Improvement of Management Foundation	<ul style="list-style-type: none"> Enhancing the capital efficiency Succession Planning Information Security and Compliance 	<ul style="list-style-type: none"> Aim to achieve 10% ROE (maintain minimum 8% or more) Aim to achieve 8% ROIC (maintain minimum 6% or more) 0 major information security incident

Efforts on Sustainability

Continue Human Capital Management

- Improve employee engagement
- Securing and nurturing human resources
(Improve compensation, training programs, and provide opportunities to learn new skills)
- Increasing diversity



Cope with Climate Change

- Achieving net-zero Scope 1 and Scope 2 GHG emissions by 2050
- Setting up a solar panel system on the rooftop of the headquarter building

Contribute to Local Community

- Hosting an in-house contest for activities to contribute to the local community

CONFIDENTIAL

Ideas for Activities to Contribute to the Local Community

Challenges in Robot Programming workshop	Assistance Method
<p>Example ① Program 1</p> <p>Find the Fastest Route!</p>	<p>① Financial</p> <p>Indirect assistance by providing funds to organizations conducting social contribution activities such as to promote public interests and industrial development.</p> <p>② Physical</p> <p>自社製品やサービス、技術やノウハウの提供による社会貢献。その他、設備提供による社会貢献。その他、設備提供による社会貢献。その他、設備提供による社会貢献。</p>

A photograph of a presentation slide titled 'Team wit' with a group of people standing in front of a screen.

Note for Forward Looking Statements

The information provided in this presentation includes forward looking statements based on current expectations, forecasts or beliefs. Such forward looking statements include a number of preliminary assumptions about future events that are subject to factors and uncertainties that could cause actual results to differ materially from those described in the forward looking statements.

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