

6616 TOREX SEMICONDUCTOR

Sponsored Research
August 25, 2021



Already revised up full-term outlook on 1Q results

Leaves room for a dividend hike later to avoid drop in payout ratio

SUMMARY

- Torex announced Group 1Q financial results after the close on August 13 (15:30). Consolidated net sales were ¥7,013mn (+19.7% YoY) and OP was ¥636mn (+225.3% YoY). Torex posted the highest quarterly sales since listing due to the booming semiconductor market which has continued from 2H last term, with all regions posting strong performance. Phenitec posted growth in sales and profits driven by strong orders boosting utilization rates, posting the highest sales since becoming a consolidated subsidiary. Along with the 1Q results announcement, Torex revised up full-term guidance (please see the table below for details).
- Torex received notification from the Tokyo Stock Exchange, dated July 9, 2021, of the result of the First Decision regarding the status of compliance with the listing maintenance standards in the new market segments, and the Company was able to confirm that it meets the listing criteria for the "Prime Market" segment. Based on this result, the Board of Directors Meeting held on August 13, 2021, resolved to select the Prime Market segment for its listing designation from the transition date next April, for which it will apply to the TSE. Going forward, the application procedure for this case will proceed according to the schedule set by the TSE.
- The new MTP promotes 'green transformation' through promoting power-saving circuits, reducing mounting board area and promoting low power-loss devices that suppress heat generation. The parent will continue to focus on developing high value-added power management ICs, including further share expansion of inductor built-in micro DC/DC converters, products specialized for 5G/IoT, solutions for solid-state and semi solid-state batteries, ultra-compact large-capacity packages, etc. Initiatives for Phenitec include development of silicon-based power devices and compound semiconductors at Kagoshima, and working on completion of the Daiichi Plant integration project at Okayama.

TOREX SEMICONDUCTOR Revised FY3/22 Consolidated Financial Forecasts

[J-GAAP]	FY3/21	YoY	FY3/22	YoY	FY3/22	YoY	AMT	PCT
JPY mn, %	act	pct	init CE	pct	revised	pct	CHG	CHG
Net sales	23,713	10.3	26,000	9.6	28,500	20.2	2,500	9.6
EBITDA	2,418	21.5	3,549	46.8	4,169	72.4	620	17.5
ratio to sales	10.2%		13.7%		14.6%			
Operating profit	1,209	78.3	2,000	65.4	2,500	106.7	500	25.0
OPM	5.1%		7.7%		8.8%			
Ordinary profit	1,206	78.4	2,000	65.8	2,500	107.3	500	25.0
ratio to sales	5.1%		7.7%		8.8%			
Profit ATOP	934	123.6	1,400	50.0	1,750	87.4	350	25.0
ratio to sales	3.9%		5.4%		6.1%			
Capex	1,179	(21.2)	2,019	71.2	2,630	123.1	611	30.3
Depreciation	1,208	(7.9)	1,549	28.2	1,669	38.1	120	7.7
R&D expense	457	13.4	504	10.3	—			
EPS (¥)	85.42		127.97		159.96			

Source: compiled by Sessa Partners from IR results briefing materials

1Q Follow-up



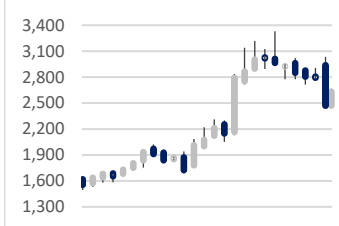
Focus Points:

Power management IC specialist with attractive growth profile from new applications driven by 5G, IoT-connected devices and the electrification of cars.

Key Indicators

Share price (8/24)	2,634
YH (21/7/14)	3,330
YL (21/1/14)	1,285
10YH (21/7/14)	3,330
10YL (14/5/20)	725.8
Shrs out. (mn shrs)	11.55
Mkt cap (¥ bn)	30.43
EV (¥ bn)	27.10
Shr eqty ratio (6/30)	64.5%
22.3 P/E (CE)	16.5x
22.3 EV/EBITDA (CE)	6.5x
21.3 ROE (act)	4.9%
21.3 P/B (act)	1.44x
22.3 DY (CE)	1.52%

6M weekly share price



Source: SPEEDA

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This report was prepared by Sessa Partners on behalf of TOREX SEMICONDUCTOR, LTD. Please refer to the legal disclaimer at the end for details.

TOREX SEMICONDUCTOR Quarterly Consolidated Earnings

JPY mn, %	1Q 3/19	2Q 3/19	3Q 3/19	4Q 3/19	1Q 3/20	2Q 3/20	3Q 3/20	4Q 3/20	1Q 3/21	2Q 3/21	3Q 3/21	4Q 3/21	1Q 3/22
	act	act	act	act	act	act	act	act	act	act	act	act	act
Net sales	6,203	6,266	6,074	5,353	4,797	5,534	5,598	5,571	5,858	5,550	5,762	6,541	7,013
YoY	8.6	2.8	0.6	(13.0)	(22.7)	(11.7)	(7.8)	4.1	22.1	0.3	2.9	17.4	19.7
• Phenitec contrib.	3,727	3,539	3,642	2,884	2,595	2,885	3,035	3,322	3,688	3,330	3,411	3,678	4,011
YoY	15.1	0.7	4.4	(19.6)	(30.4)	(18.5)	(16.7)	15.2	42.1	15.4	12.4	10.7	8.8
• Torex	2,476	2,727	2,432	2,469	2,202	2,649	2,563	2,249	2,170	2,220	2,351	2,864	3,002
YoY	0.1	5.7	(4.6)	(3.7)	(11.1)	(2.9)	5.4	(8.9)	(1.5)	(16.2)	(8.3)	27.3	38.3
Gross profit	1,921	1,892	1,530	1,151	1,269	1,422	1,446	1,315	1,325	1,210	1,606	1,817	1,942
GPM	31.0%	30.2%	25.2%	21.5%	26.5%	25.7%	25.8%	23.6%	22.6%	21.8%	27.9%	27.8%	27.7%
SG&A	1,246	1,216	1,218	1,263	1,191	1,170	1,241	1,172	1,129	1,146	1,174	1,301	1,306
Ratio to sales	20.1%	19.4%	20.1%	23.6%	24.8%	21.1%	22.2%	21.0%	19.3%	20.6%	20.4%	19.9%	18.6%
Depreciation	195	239	300	351	305	317	335	355	269	278	325	336	283
YoY	(11.8)	4.4	29.9	38.7	56.4	32.6	11.7	1.1	(11.8)	(12.3)	(3.0)	(5.4)	5.2
EBITDA	870	915	612	239	384	568	540	498	464	343	758	851	919
YoY	28.7	5.8	(21.5)	(71.0)	(55.9)	(37.9)	(11.8)	108.4	21.1	(39.6)	40.4	70.9	98.1
Ratio to sales	14.0%	14.6%	10.1%	4.5%	8.0%	10.3%	9.6%	8.9%	7.9%	6.2%	13.2%	13.0%	13.1%
Operating profit	675	676	311	(112)	78	252	204	144	195	65	433	515	636
YoY	48.4	6.5	(43.5)	TR	(88.4)	(62.7)	(34.4)	TB	148.9	(74.2)	112.3	257.6	226.2
OPM	10.9%	10.8%	5.1%	-2.1%	1.6%	4.6%	3.6%	2.6%	3.3%	1.2%	7.5%	7.9%	9.1%
• Phenitec contrib.	487	413	186	(182)	59	4	78	84	122	(33)	189	415	366
YoY	60.7	(19.6)	(46.1)	TR	(87.9)	(99.0)	(58.1)	TB	106.8	TR	142.3	394.0	200.0
OPM	13.1%	11.7%	5.1%	-6.3%	2.3%	0.1%	2.6%	2.5%	3.3%	-1.0%	5.5%	11.3%	9.1%
• Torex	188	263	125	70	19	248	126	60	73	98	244	101	270
YoY	23.7	117.4	(39.0)	(54.8)	(89.9)	(5.7)	0.8	(14.3)	284.2	(60.5)	93.7	68.3	269.9
OPM	7.6%	9.6%	5.1%	2.8%	0.9%	9.4%	4.9%	2.7%	3.4%	4.4%	10.4%	3.5%	9.0%
Ordinary profit	924	819	227	(150)	11	268	240	157	180	(3)	348	680	676
YoY	98.3	27.8	(62.5)	TR	(98.8)	(67.3)	5.7	TB	16.4x	TR	45.0	333.1	275.6
Profit ATOP	496	469	123	(39)	12	146	133	127	168	(11)	230	545	476
YoY	112.0	75.7	(58.0)	TR	(97.6)	(68.9)	8.1	TB	13.9x	TR	72.9	329.1	183.3

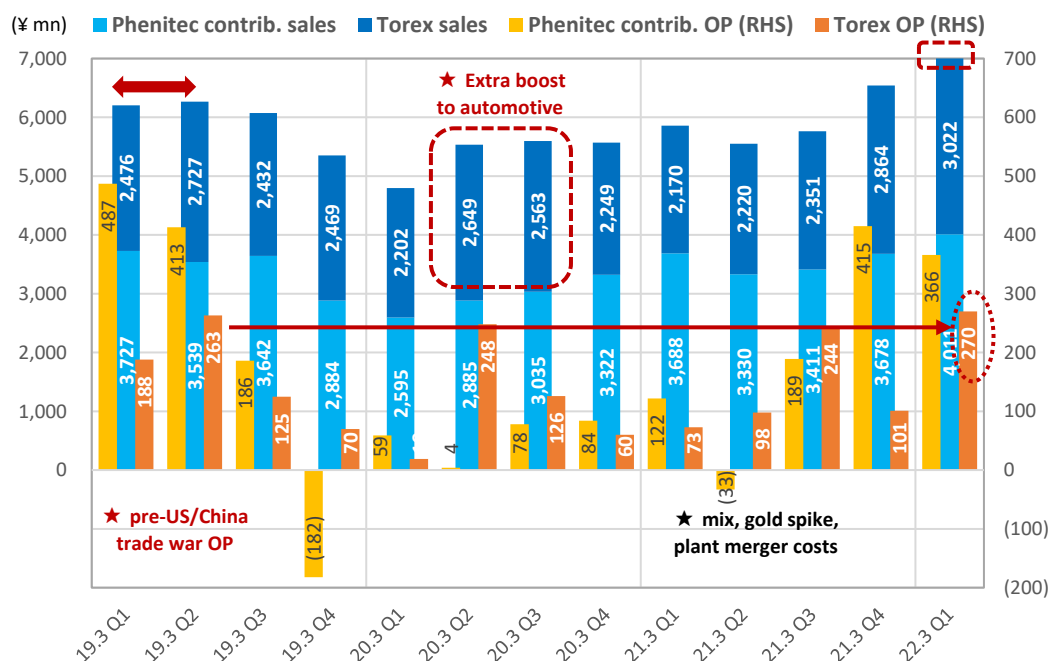
Source: compiled by Sessa Partners from company IR results briefing presentation materials.



Torex posted the highest quarterly sales since listing due to the booming semiconductor market which has continued from 2H last term, with all regions posting strong performance.

Phenitec posted growth in sales and profits driven by strong orders boosting utilization rates, posting the highest sales since becoming a consolidated subsidiary.

Torex posted strong results in all regions, and recorded the highest sales since listing



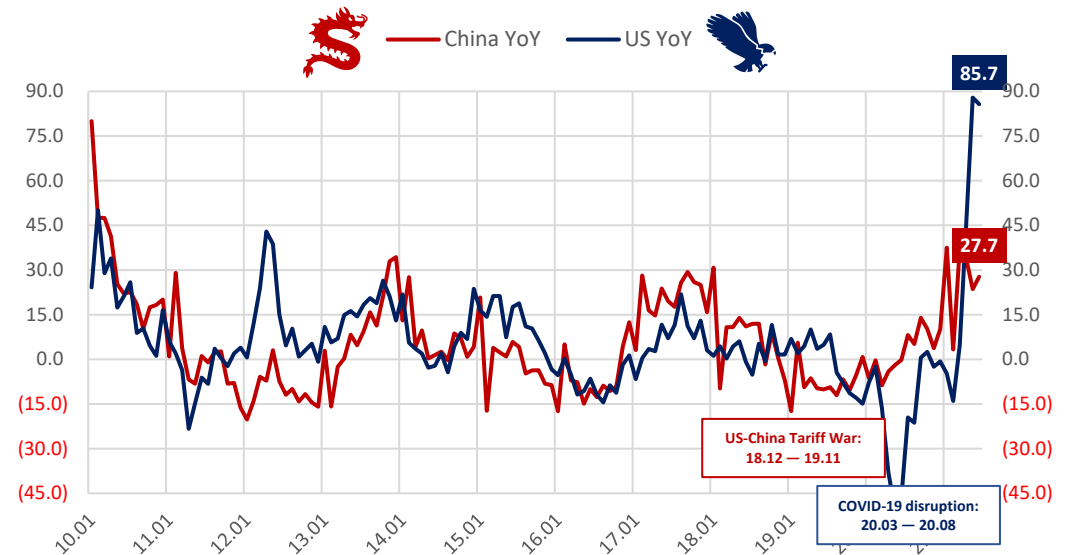


Japan exports to China are a reliable proxy for the general health of the global electronics supply chain

2 Useful Checkpoints

① MOF Monthly Trade Statistics of Japan: Exports

The graph below shows June exports to its no.1 trading partner China rose +27.7% driven by chipmaking equipment, hybrid vehicles and scrap copper. While growth to its no.2 partner the US was a higher +85.7%, driven by autos and car parts, the US figure is a reactionary rise to the COVID decline, while the China figure reflects full-fledged recovery after the effect of the US-China tariff war in 2019. Recent spread of the highly contagious COVID-19 Delta variant remains an ongoing risk to economic activity.



Source: compiled by Sessa Partners from MOF Trade Statistics of Japan (monthly press releases).



Since TI quarterly results are announced roughly 3 weeks ahead of Torex, they are one highly useful checkpoint to identify **potential** positive or negative surprises in Torex results.

② Texas Instruments reports quarterly results roughly 3 weeks ahead of Torex

On January 26, TI reported strong 4Q results with Analog revenue +25%, and Analog OP +44%. On February 12, Torex revised up full term FY3/21 guidance: net sales by ¥500mn (+2.2%), and OP by ¥400mn (+80.0%), clearly a positive surprise. Torex reported 3Q results on February 15, net sales +2.9% YoY and OP +111.2% YoY. On April 27, TI reported strong 1Q results, posting Analog revenue +33%, and OP +61%. On May 10, Torex revised up full-term guidance again: net sales by ¥200mn (+0.9%), and OP by ¥300mn (+33.3%), another positive surprise. Torex reported 4Q results on May 17, net sales +17.4% YoY and OP +260.1% YoY. On July 21, TI reported strong 2Q results with Analog revenue +42%, and Analog OP +69%. **On August 13, Torex revised up full-term FY3/22 guidance sales by ¥2,500mn (+9.6%), and OP by ¥500mn (+25.0%).**



Source: compiled by Sessa Partners from MOF Trade Statistics of Japan and TI / Torex earnings releases.

Torex Sales Trend by Application and Design-in based* Region with Heat Map

JPY mn, %	1Q 3/19	2Q 3/19	3Q 3/19	4Q 3/19	1Q 3/20	2Q 3/20	3Q 3/20	4Q 3/20	1Q 3/21	2Q 3/21	3Q 3/21	4Q 3/21	1Q 3/22
by Application													
Torex sales	2,476	2,727	2,432	2,469	2,202	2,649	2,563	2,249	2,170	2,220	2,351	2,864	3,002
• Industrial equipt.	966	1,063	945	953	784	912	933	834	872	763	805	1,064	1,033
• Automotive equipt.	381	384	362	408	350	615	457	327	241	249	352	398	400
• Medical equipt.	36	26	26	37	25	21	29	43	73	44	43	66	49
• Wearable equipt.	71	74	37	56	53	66	54	47	50	100	100	112	86
• Other	1,022	1,180	1,062	1,015	990	1,035	1,090	998	934	1,064	1,051	1,224	1,434
YoY													
Torex sales	0.1	5.7	(4.6)	(3.7)	(11.1)	(2.9)	5.4	(8.9)	(1.5)	(16.2)	(8.3)	27.3	38.3
• Industrial equipt.	9.8	14.3	(0.1)	(2.0)	(18.8)	(14.2)	(1.3)	(12.5)	11.2	(16.3)	(13.7)	27.6	18.5
• Automotive equipt.	(3.5)	(3.3)	(18.1)	(13.9)	(8.1)	60.2	26.2	(19.9)	(31.1)	(59.5)	(23.0)	21.7	66.0
• Medical equipt.	80.0	(13.3)	(23.5)	54.2	(30.6)	(19.2)	11.5	16.2	192.0	109.5	48.3	53.5	(32.9)
• Wearable equipt.	10.9	19.4	(31.5)	5.7	(25.4)	(10.8)	45.9	(16.1)	(5.7)	51.5	85.2	138.3	72.0
• Other	788.7	(45.4)	(1.0)	(2.5)	(3.1)	(12.3)	2.6	(1.7)	(5.7)	2.8	(3.6)	22.6	53.5
by Region													
Torex D-in* sales	2,476	2,727	2,432	2,469	2,202	2,649	2,563	2,249	2,170	2,220	2,351	2,864	3,002
• Japan	1,086	1,159	1,070	1,086	950	1,090	1,104	1,043	896	895	958	1,129	1,160
• Asia	791	896	818	807	724	1,001	980	700	781	849	876	1,105	1,197
• Europe	345	402	304	379	305	329	268	310	259	242	304	384	383
• North America	254	270	240	197	223	229	211	196	234	234	213	246	262
YoY													
Torex D-in* sales	0.1	5.7	(4.6)	(3.7)	(11.1)	(2.9)	5.4	(8.9)	(1.5)	(16.2)	(8.3)	27.3	38.3
• Japan	8.8	6.5	0.4	(5.1)	(12.5)	(6.0)	3.2	(4.0)	(5.7)	(17.9)	(13.2)	8.2	29.5
• Asia	(0.3)	13.0	(8.7)	(4.7)	(8.5)	11.7	19.8	(13.3)	7.9	(15.2)	(10.6)	57.9	53.3
• Europe	(19.0)	0.5	(7.9)	13.1	(11.6)	(18.2)	(11.8)	(18.2)	(15.1)	(26.4)	13.4	23.9	47.9
• North America	(1.2)	(10.0)	(6.6)	(17.2)	(12.2)	(15.2)	(12.1)	(0.5)	4.9	2.2	0.9	25.5	12.0

*Note: Torex 'Design-in' based sales = regional sales adjusted on orders received basis.



- **Torex** posted the highest quarterly sales since listing due to the booming semiconductor market which has continued from 2H last term, with all regions posting strong performance. Revised up full-term consolidated forecasts.
- **Phenitec** posted growth in sales and profits driven by strong orders boosting utilization rates, posting the highest sales since becoming a consolidated subsidiary.

Phenitec** Sales Trend by Application and Region with Heat Map

JPY mn, %	1Q 3/19	2Q 3/19	3Q 3/19	4Q 3/19	1Q 3/20	2Q 3/20	3Q 3/20	4Q 3/20	1Q 3/21	2Q 3/21	3Q 3/21	4Q 3/21	1Q 3/22
by Application													
Phenitec** sales	4,136	3,973	4,075	3,268	2,983	3,251	3,435	3,628	3,982	3,703	3,732	4,077	4,536
• Industrial equipt.	759	705	1,100	698	408	412	493	696	911	630	588	653	676
• Automotive equipt.	908	873	923	856	876	921	892	915	838	738	869	942	1,044
• Medical equipt.	98	63	145	84	70	48	54	116	60	32	34	39	36
• Other	2,371	2,332	1,907	1,630	1,629	1,870	1,996	1,901	2,173	2,303	2,241	2,443	2,780
YoY													
Phenitec** sales	14.9	1.3	5.1	(17.6)	(27.9)	(18.2)	(15.7)	11.0	33.5	13.9	8.6	12.4	13.9
• Industrial equipt.	(15.3)	(8.7)	29.4	(20.3)	(46.2)	(41.6)	(55.2)	(0.3)	123.3	52.9	19.3	(6.2)	(25.8)
• Automotive equipt.	49.1	11.6	9.8	0.0	(3.5)	5.5	(3.4)	6.9	(4.3)	(19.9)	(2.6)	3.0	24.6
• Medical equipt.	22.5	(52.6)	70.6	42.4	(28.6)	(23.8)	(62.8)	38.1	(14.3)	(33.3)	(37.0)	(66.4)	(40.0)
• Other	17.7	4.4	(9.3)	(25.0)	(31.3)	(19.8)	4.7	16.6	33.4	23.2	12.3	28.5	27.9
by Region													
Phenitec** sales	4,136	3,973	4,075	3,268	2,983	3,251	3,435	3,628	3,982	3,703	3,732	4,077	4,536
• Japan	1,479	1,362	1,356	1,332	1,346	1,410	1,427	1,403	1,280	1,277	1,307	1,654	1,983
• Asia	1,019	1,070	750	467	495	661	803	805	914	869	1,088	1,193	1,118
• Europe	198	182	204	205	199	224	261	236	268	244	194	183	230
• North America	1,440	1,359	1,765	1,264	943	956	944	1,184	1,520	1,313	1,143	1,047	1,205
YoY													
Phenitec** sales	14.9	1.3	5.1	(17.6)	(27.9)	(18.2)	(15.7)	11.0	33.5	13.9	8.6	12.4	13.9
• Japan	27.5	5.6	8.2	1.9	(9.0)	3.5	5.2	5.3	(4.9)	(9.4)	(8.4)	17.9	54.9
• Asia	25.0	17.8	(23.9)	(53.3)	(51.4)	(38.2)	7.1	72.4	84.6	31.5	35.5	48.2	22.3
• Europe	8.8	(20.9)	7.4	25.8	0.5	23.1	27.9	15.1	34.7	8.9	(25.7)	(22.5)	(14.2)
• North America	(0.1)	(9.0)	21.7	(15.5)	(34.5)	(29.7)	(46.5)	(6.3)	61.2	37.3	21.1	(11.6)	(20.7)

**Note: Phenitec sales include intra-company transactions with Torex. Classifications subject to change.



New 5-Year MTP 2021 – 2025 [FY3/22 – FY3/26]

The new MTP promotes 'GX green transformation' through promoting power-saving circuits, reducing mounting board area and promoting low power-loss devices that suppress heat generation.

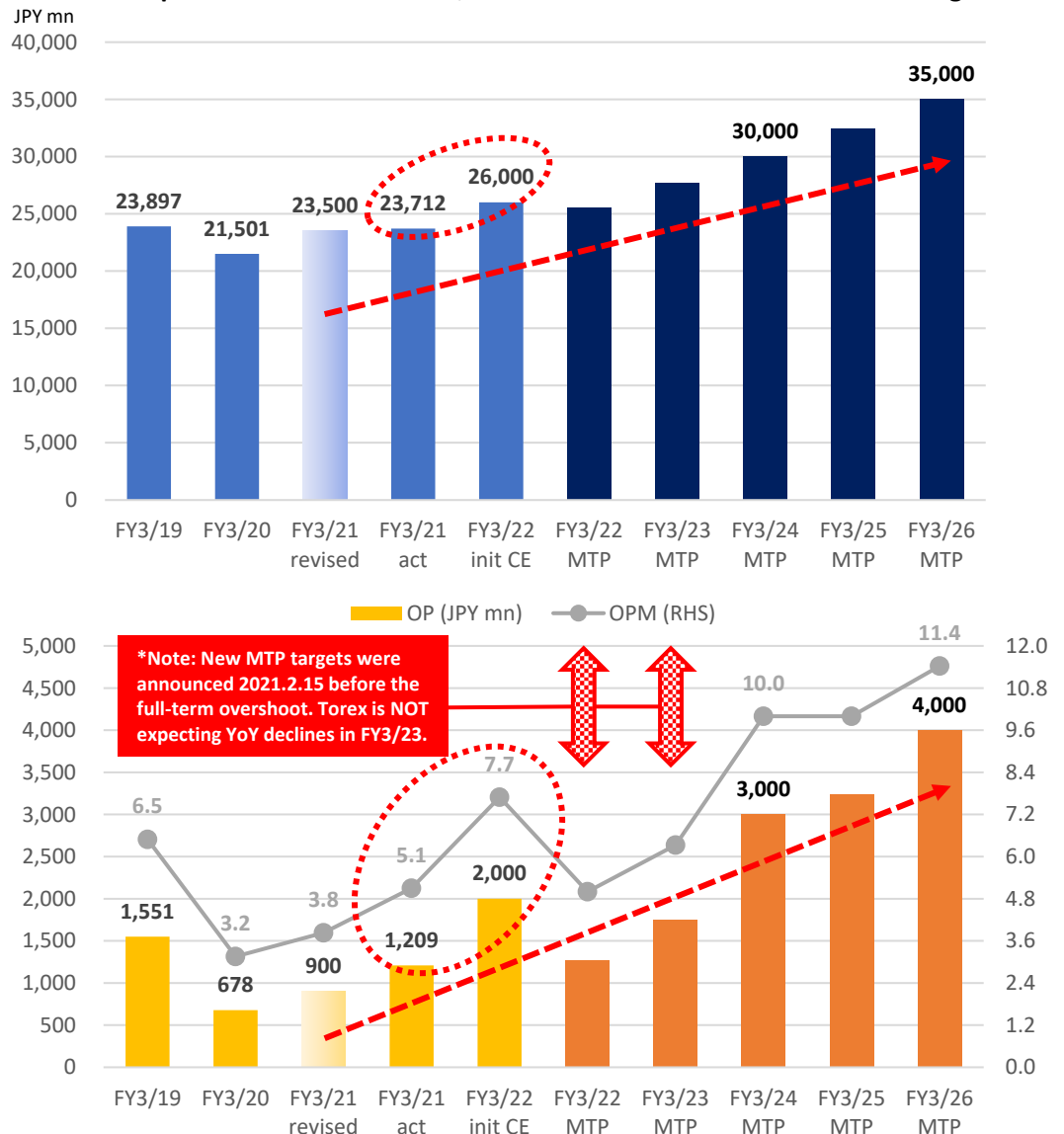
Parent Torex will continue to focus on developing high value-added power management ICs, including further share expansion of inductor built-in micro DC/DC converters, products specialized for 5G/IoT, solutions for solid-state and semi solid-state batteries, ultra-compact large-capacity packages, etc.

Initiatives for Phenitex include development of silicon-based power devices and compound semiconductors at Kagoshima, and working on completion of the Daiichi Plant integration project at Okayama.

Initially announced targets had implied 5Y CAGR of sales +8.3% and OP +34.8%, and re-calculated to reflect FY3/21 actual results are sales +8.0% and OP +27.0%.



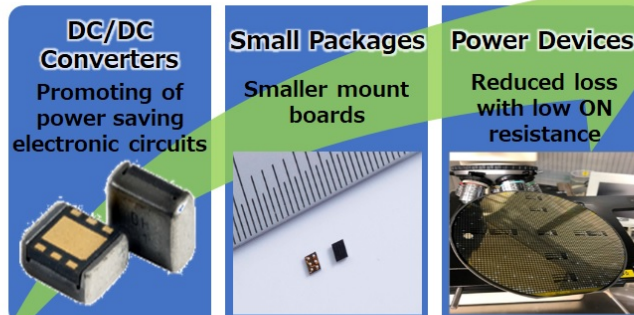
TOREX Group Consolidated Net Sales, OP and OPM New MTP 2021 – 2025 Targets



Torex Group GX Green Transformation:

- Promotes power saving ICs and reduced mounting board size
- Promotes low-loss power devices that dissipate heat generation

⇒ Aiming for a carbon-free society.



From a company contributing to society with compact, power-saving technologies

Decarbonized Society



Becoming a Global Company Supporting GX with Semiconductors

Source: compiled by Sessa Partners from New MTP briefing materials published February 15, 2021.

*Note: announced targets only reflect revised estimates as of 3Q FY3/21 results.



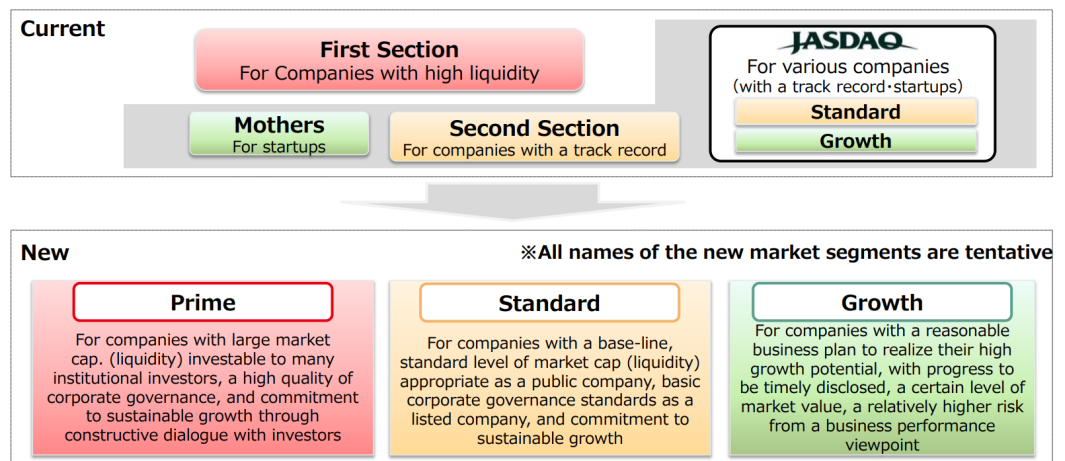
Brief summary of the TSE's transition to new market segments on April 4, 2022

The TSE's current 4 market segments: First Section, Second Section, Mothers and JASDAQ (Standard / Growth), are carryovers from when the Tokyo Stock Exchange and Osaka Securities Exchange merged in July 2013, maintaining their respective market structures to avoid impacting listed companies and investors. However, this created three unresolved issues:

- the concepts of each segment are ambiguous and difficult for investors to use, specifically between the First Section, and the Second Section, Mothers and JASDAQ which overlap as 'step-up' markets for growth companies,
- companies are not sufficiently motivated to strive to continuously raise corporate value, specifically due to delisting criteria significantly lower than for new listing, and relaxed criteria for moving to the First Section, and
- there is no index functioning properly as a representative benchmark, citing problems with the current definition of tradable shares and lack of a true free float market capitalization weighted index methodology.

After completing a multi-year review by numerous scholars and experts, the TSE decided to revise current market segments into three new segments shown in the graphic below, completing the transition on April 4, 2022, to revise maintenance listing criteria to be equivalent to those of new listing (IPO) criteria, to revise the calculation of TOPIX in steps over time, including revising the definition of tradable shares, and to introduce several new indices as investable benchmarks to reflect broad investment opportunities.

Review of TSE Cash Equity Market Structure



Source: "Review of TSE Cash Equity Market Structure," JAPAN EXCHANGE GROUP (JPX)
<https://www.jpx.co.jp/english/equities/improvements/market-structure/index.html>

Implementation Schedule (as of July 2021)

- February 21, 2020: outline of Market Structure Review (new market segments)
- December 25, 2020: outline of 2nd revision (listing criteria, transition process)
- April 7, 2021: outline of 3rd revision (revised corporate governance code etc.)
- June 30, 2021: ref. date for First Decision (whether cos. meet revised listing criteria)
- July 9, 2021: individual notifications from TSE of First Decision
- SEP – DEC 2021: cos. apply to choose mkt segment based on listing criteria, CG code
- January 11, 2022: new market segments for listed cos. published on JPX website
- April 4, 2022: transition to new market segments
- Oct. 2022: Second Decision (for cos whose tradable shares mkt cap was < ¥10bn)
- Oct. 2023: Re-evaluation (if constituent phased weighting reduction to be cont.)

+9.55%	▲	120.34
+12.3%	▲	543.23
+5.34%	▲	254.23
-7.89%	▼	321.56
+5.97%	▲	100.08
+2.13%	▲	584.23
+6.43%	▲	765.90
-11.6%	▼	120.34
+23.1%	▲	893.23
+5.56%	▲	128.96
-3.67%	▼	432.17
11.3%	▲	765.2
2.54%	▲	432.7

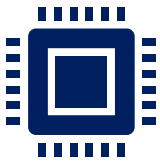
Designation and re-evaluation of phased weighting reduction constituents

Timing	Details
First decision July 2021	TSE will confirm <u>whether each company's tradable share market capitalization is JPY 10 billion or above</u> (Figures used will be from the "Notice on whether the company is meeting the continued listing criteria for the new market segments" which has a base date of June 30, 2021.).
Second decision October 2022	For companies whose tradable share market capitalization was under JPY 10 billion as of the first decision, TSE will confirm <u>whether the situation had improved</u> as of the next reporting period. If their tradable share market capitalization is found to have still been under JPY 10 billion at this point, the company will be designated as a "phased weighting reduction constituent". <u>Their TOPIX weighting will be gradually reduced in ten (10) stages starting October 2022.</u>
Re-evaluation October 2023	For each phased weighting reduction constituent, TSE will confirm: 1) <u>whether their tradable share market capitalization for the reporting period following the second decision was JPY 10 billion or over</u> , and 2) <u>whether their annual traded value ratio was 0.2 or above</u> . - If a company meets both criteria 1) and 2), its weighting will be <u>returned to its pre-reduction level</u> . - If a company meets only 1), its weighting reduction will be <u>halted</u> . - If a company meets neither 1) nor 2), its weighting <u>reduction will be continued</u> .

Source: "Summary of TOPIX Calculation Rule Revisions," JAPAN EXCHANGE GROUP (JPX)
https://www.jpx.co.jp/english/news/1044/b5b4pj000003u7qp-att/e_data1.pdf

Response of Torex Semiconductor to TSE New Market Segments

Torex received notification from the Tokyo Stock Exchange, dated July 9, 2021, of the result of the First Decision regarding the status of compliance with the listing maintenance standards in the new market segments, and the Company was able to confirm that it meets the listing criteria for the "Prime Market" segment. Based on this result, the Board of Directors Meeting held on August 13, 2021, resolved to select the Prime Market segment for its listing designation from the transition date next April, for which it will apply to the TSE. Going forward, the application procedure for this case will proceed according to the schedule set by the TSE.



Share Price, Valuations and Shareholder Rebates



Performance and Valuations: SESSA Smart Charts

- ✓ The P/E of 16.5x is still below the historical avg. Torex has revised up full-term guidance for 3 consecutive quarters.
- ✓ Ultimately this is the nature of powerful cyclical recoveries, and current-term forecasts cannot capture the true upside potential, esp. in light of MTP forecasts.
- ✓ The three key medium-term growth drivers include 1) 5G / Ind'l IoT 2) EV / Connected Cars / ADAS, and 3) Next-gen Power Devices, all of which have entered accelerating growth phases.



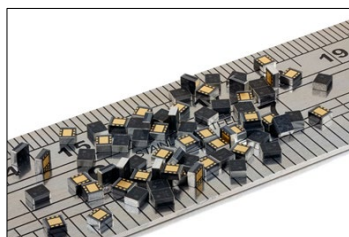
Analyst's view

Sessa Smart Charts: 3-Year Weekly Share Price and Valuations Trend



Source: compiled by Sessa Partners from SPEEDA historical earnings and price data. Valuations calculated based on CE.

Powerfully small.



"Micro DC/DC" XCL Series
Ultra small DC/DC converters that integrate a coil and a control IC. Simultaneously achieve **space-saving, high efficiency, low noise, high heat dissipation, and low cost.**

Long-term Monthly Share Price



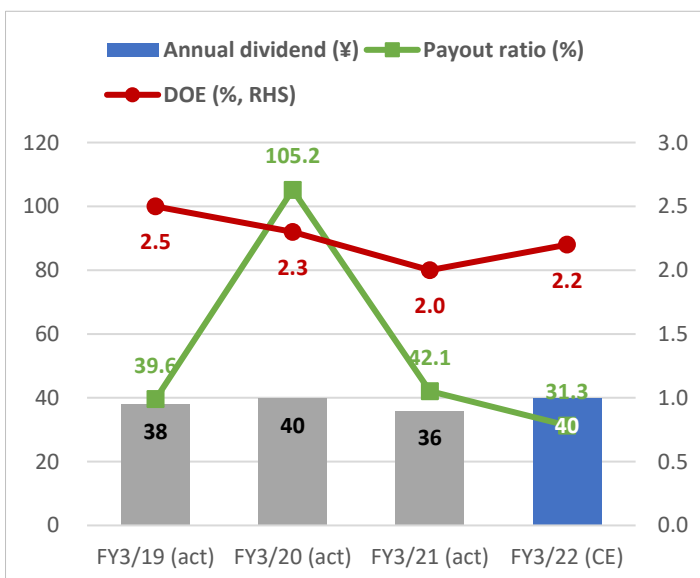
The lower left table shows that **both Phenitec Chairman Fujisaka and Torex President Shibamiya are in the top 10 shareholders, whose interests are aligned with all shareholders, an attractive point that cannot be understated in our view.**

The company's stated dividend policy is highlighted in the graph below: consolidated dividend payout ratio of at least 20%, aiming for DOE of 3.0%. Like many Japanese companies, a common point of frustration among foreign shareholders is policy which emphasizes 'stable' dividends. It is also true that Torex has a large net cash position, and given that its business is highly cash generative, the unrelenting increase in shareholders' equity will make the DOE target of 3.0% increasingly difficult to achieve. HOWEVER, it is also true that management did not hesitate to approve a 5.2% share buyback, and in that respect, is not the same as many Japanese companies, nor is two top managers among the top 10 shareholders. "Actions speak louder than words."

TOREX SEMICONDUCTOR Major Shareholders (2021/03/31)

Rank	Shareholder	(%)
1	The Master Trust Bank of Japan, Ltd. (Trust Acct)	9.01%
2	Custody Bank of Japan, Ltd. (Trust Acct)	7.02%
3	THE BANK OF NEW YORK 133652	6.93%
4	Tomoyuki Fujisaka (Phenitec Chairman)	4.60%
5	The Chugoku Bank, Limited	4.28%
6	ARS Co., Ltd.	4.10%
7	Kibi Kogyo Co., Ltd.	3.61%
8	Takanori Ozaki	2.91%
9	Koji Shibamiya (Torex President)	2.67%
10	Kimiko Ozaki	1.86%
Top 10 —		46.99%

Source: FY3/21 YUHO financial statements.



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