SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 8-K

CURRENT REPORT
**Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934**

May 11, 2004
Date of report (Date of earliest event reported)

ON Semiconductor Corporation
(Exact name of registrant as specified in its charter)

Delaware	000-30419	36-3840979
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification Number)

ON Semiconductor Corporation 5005 E. McDowell Road Phoenix, Arizona	85008
(Address of principal executive offices)	(Zip Code)

602-244-6600
(Registrant's telephone number, including area code)

Item 5. Other Events and Required FD Disclosure

Attached to this Current Report as Exhibit 99.1 are the audited consolidated financial statements (and related notes) of Semiconductor Components Industries, LLC, a wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 (including related report of the independent accountants of Semiconductor Components Industries, LLC), and the unaudited interim consolidated financial statements (and related notes) of Semiconductor Components Industries, LLC as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003.

Attached to this Current Report as Exhibit 99.2 are the audited consolidated financial statements (and related notes) of ON Semiconductor Trading, Ltd., an indirect wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2002 and 2003, and for the years ended December 31, 2001, 2002 and 2003 as restated for the matter described in Note 2 to those financial statements (including related report of the independent accountants of ON Semiconductor Trading, Ltd.), and the unaudited interim consolidated financial statements (and related notes) of ON Semiconductor Trading, Ltd. as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003.

Attached to this Current Report as Exhibit 99.3 are the audited consolidated financial statements (and related notes) of SCG Malaysia Holdings Sdn. Bhd., an indirect wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 (including related report of the independent accountants of SCG Malaysia Holdings Sdn. Bhd.), and the unaudited interim consolidated financial statements (and related notes) of SCG Malaysia Holdings Sdn. Bhd. as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003.

Attached to this Current Report as Exhibit 99.4 are the audited financial statements (and related notes) of SCG Philippines, Incorporated, an indirect wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 (including related report of the independent accountants of SCG Philippines, Incorporated), and the unaudited interim financial statements (and related notes) of SCG Philippines, Incorporated as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003.

Attached to this Current Report as Exhibit 99.5 are the audited financial statements (and related notes) of SCG (China) Holding Corporation, a wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 (including related report of the independent accountants of SCG (China) Holding Corporation), and the unaudited interim financial statements (and related notes) of SCG (China) Holding Corporation as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003.

Attached to this Current Report as Exhibit 99.6 are the audited financial statements (and related notes) of ON Semiconductor Japan Technology, Ltd., an indirect wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 (including related report of the independent accountants of ON Semiconductor Japan Technology, Ltd.), and the unaudited interim financial statements (and related notes) of ON Semiconductor Japan Technology, Ltd as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003.

Attached to this Current Report as Exhibit 99.7 is a consent of the Independent Accountants of Semiconductor Components Industries, LLC, ON Semiconductor Trading, Ltd., SCG Malaysia Holdings Sdn. Bhd., SCG Philippines, Incorporated, SCG (China) Holding Corporation, and ON Semiconductor Japan Technology, Ltd.

Item 7. Financial Statements, Pro Forma Financial Information and Exhibits.

(a) Financial Statements of Businesses Acquired.

Not applicable.

(b) Pro Forma Financial Information.

Not applicable.

(c) Exhibits

Exhibit No.	Description
99.1	Audited consolidated financial statements (and related notes) of Semiconductor Components Industries, LLC, a wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2001 and 2002 and for the years ended December 31, 2000, 2001 and 2002 (including related report of the independent accountants of Semiconductor Components Industries, LLC), and unaudited interim consolidated financial statements (and related notes) of Semiconductor Components Industries, LLC as of October 3, 2003 and for the nine months ended October 3, 2003 and September 27, 2002.
99.2	Audited consolidated financial statements (and related notes) of ON Semiconductor Trading, Ltd., an indirect wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2001 and 2002, for the period from October 27, 2000 through December 31, 2000 and for the years ended December 31, 2001 and 2002 as restated for the matter described in Note 2 to those financial statements (including related report of the independent accountants of ON Semiconductor Trading, Ltd.), and unaudited interim consolidated financial statements (and related notes) of ON Semiconductor Trading, Ltd. as of October 3, 2003 and for the nine months ended October 3, 2003 and September 27, 2002.
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99.5	Attached to this Current Report as Exhibit 99.5 are the audited financial statements (and related notes) of SCG (China) Holding Corporation, a wholly-owned subsidiary of ON Semiconductor Corporation, as of December 31, 2002 and 2003 and for the years ended December 31, 2001, 2002 and 2003 (including related report of the independent accountants of SCG (China) Holding Corporation), and the unaudited interim financial statements (and related notes) of SCG (China) Holding Corporation as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003.
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99.7	Consent of Independent Accountants.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: May 11, 2004

ON SEMICONDUCTOR CORPORATION
(Registrant)

By: /s/ DONALD COLVIN

Donald Colvin
Chief Financial Officer

EXHIBIT INDEX

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99.7	Consent of Independent Accountants.

Exhibit 99.1

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2003 and 2002 and for
the Years Ended December 31, 2003, 2002 and 2001
and as of April 2, 2004 (unaudited) and for the three months
ended April 4, 2003 and April 2, 2004 (unaudited)

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and Member
of Semiconductor Components Industries, LLC

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of member's equity (deficit) and of cash flows present fairly, in all material respects, the financial position of Semiconductor Components Industries, LLC and its subsidiaries (a wholly-owned subsidiary of ON Semiconductor Corporation) at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 4 to the consolidated financial statements, the Company changed its method of accounting for unrecognized net actuarial gains or losses relating to its defined benefit pension obligations effective January 1, 2003 and its method of accounting for goodwill and other intangible assets effective January 1, 2002.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona
February 2, 2004, except for the
third paragraph of Note 2
for which the date is February 9, 2004

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED BALANCE SHEET
(in millions)

	December 31, 2003	December 31, 2002	April 2, 2004
			(unaudited)
ASSETS			
Cash and cash equivalents	$ 181.7	$ 182.4	$ 212.4
Receivables, net	131.9	111.9	149.5
Inventories, net	167.6	160.0	178.6
Other current assets	23.9	36.3	30.6
Deferred income taxes	2.7	6.4	3.1
Total current assets	507.8	497.0	574.2
Property, plant and equipment, net	379.9	454.1	381.0
Deferred income taxes	1.3	—	1.7
Goodwill, net	77.3	77.3	77.3
Intangibles assets, net	—	26.7	—
Notes receivable from affiliates	—	63.3	—
Other assets	61.0	54.0	42.9
Total assets	$ 1,027.3	$ 1,172.4	$ 1,077.1
LIABILITIES AND MEMBER'S EQUITY (DEFICIT)			
Accounts payable	$ 104.4	$ 67.2	$ 117.9
Accrued expenses	88.8	99.9	101.8
Due to affiliates, net	12.4	0.2	5.4
Income taxes payable	1.7	1.9	1.7
Accrued interest	25.3	43.6	16.0
Deferred income on sales to distributors	66.2	70.8	81.1
Current portion of long-term debt	6.6	9.3	10.5
Total current liabilities	305.4	292.9	334.4
Long-term debt	1,228.3	1,393.9	1,063.9
Other long-term liabilities	58.2	67.0	56.9
Deferred income taxes	—	2.2	—
Total liabilities	1,591.9	1,756.0	1,455.2
Commitments and contingencies (See Note 14)	—	—	—
Minority interests in consolidated subsidiaries	0.5	4.1	0.8
Contributed capital	1,029.6	865.7	1,262.3
Accumulated other comprehensive loss	(4.4)	(34.3)	(2.5)
Accumulated deficit	(1,590.3)	(1,419.1)	(1,638.7)
Total member's equity (deficit)	(565.1)	(587.7)	(378.9)
Total liabilities and member's equity (deficit)	$ 1,027.3	$ 1,172.4	$ 1,077.1

The accompanying notes are an integral part of these consolidated financial statements.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF OPERATIONS
(in millions)

	Year Ended			Quarter Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
				(unaudited)	(unaudited)
			(In millions)		
Revenues	$1,060.9	$1,084.5	$1,214.6	$ 306.0	$ 266.5
Cost of sales	770.9	798.9	1,000.5	212.3	195.4
Gross profit	290.0	285.6	214.1	93.7	71.1
Operating expenses:					
Research and development	85.5	81.5	94.5	23.5	17.7
Selling and marketing	63.0	61.2	74.8	18.4	16.1
General and administrative	60.6	88.4	115.6	17.0	19.9
Amortization of goodwill and intangibles	5.9	11.9	22.6	—	3.0
Restructuring, asset impairments and other, net	61.2	27.7	150.4	13.1	—
Total operating expenses	276.2	270.7	457.9	72.0	56.7
Operating income (loss)	13.8	14.9	(243.8)	21.7	14.4
Interest expense	(150.5)	(151.7)	(142.4)	(33.4)	(37.7)
Interest income	4.1	5.9	8.9	—	—
Realized and unrealized foreign currency losses	(4.6)	(0.2)	(1.2)	(1.7)	(1.5)
Loss on debt prepayment	(7.7)	(6.5)	—	(33.0)	(3.5)
Loss before income taxes, minority interests and cumulative effect of accounting change	(144.9)	(137.6)	(378.5)	(46.4)	(28.3)
Income tax provision	(6.8)	(8.8)	(342.3)	(1.5)	(2.0)
Minority interests	2.0	—	2.1	(0.5)	(0.2)
Loss before cumulative effect of accounting change	(149.7)	(146.4)	(718.7)	(48.4)	(30.5)
Cumulative effect of accounting change (net of income taxes of $0 in 2003 and $38.8 in 2001)	(21.5)	—	(116.4)	—	(21.5)
Net loss	$ (171.2)	$ (146.4)	$ (835.1)	$ (48.4)	$ (52.0)

The accompanying notes are an integral part of these consolidated financial statements.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF MEMBER'S EQUITY (DEFICIT)
(in millions)

	Contributed Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance at December 31, 2000	732.1	(0.7)	(437.6)	293.8
Net capital contributions from Member	130.5			130.5
Comprehensive income (loss):				
Net loss	—	—	(835.1)	(835.1)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	—	(3.9)	—	(3.9)
Additional minimum pension liability	—	(13.5)	—	(13.5)
Cumulative effect of accounting change	—	(5.7)	—	(5.7)
Effects of cash flow hedges	—	(9.0)	—	(9.0)
Other comprehensive loss		(32.1)		(32.1)
Comprehensive loss		—		(867.2)
Balance at December 31, 2001	862.6	(32.8)	(1,272.7)	(442.9)
Net capital contributions from Member	3.1			3.1
Comprehensive income (loss), net of tax:				
Net loss	—	—	(146.4)	(146.4)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	—	2.3	—	2.3
Additional minimum pension liability	—	(5.8)	—	(5.8)
Unrealized losses on deferred compensation plan investments	—	(0.6)	—	(0.6)
Effects of cash flow hedges	—	2.6	—	2.6
Other comprehensive loss		(1.5)		(1.5)
Comprehensive loss		—		(147.9)
Balance at December 31, 2002	865.7	(34.3)	(1,419.1)	(587.7)
Net capital contributions from Member	163.9			163.9
Comprehensive income (loss), net of tax:				
Net loss	—	—	(171.2)	(171.2)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment	—	3.7	—	2.5
Additional minimum pension liability	—	19.6	—	19.6
Unrealized losses on deferred compensation plan investments	—	(0.2)	—	(0.2)
Effects of cash flow hedges	—	6.8	—	8.0
Other comprehensive income		29.9		29.9
Comprehensive loss		—		(141.3)
Balance at December 31, 2003	$ 1,029.6	$ (4.4)	$ (1,590.3)	$ (565.1)
Net capital contributions from Member (unaudited)	232.7			232.7
Comprehensive income (loss), net of tax: (unaudited)				
Net loss (unaudited)	—	—	(48.4)	(48.4)
Other comprehensive income (loss), net of tax: (unaudited)				
Foreign currency translation adjustment (unaudited)	—	0.7	—	0.7
Effects of cash flow hedges (unaudited)	—	1.2	—	1.2
Other comprehensive income (unaudited)		1.9		1.9
Comprehensive loss (unaudited)				(46.5)
Balance at April 2, 2004 (unaudited)	$ 1,262.3	$ (2.5)	$ (1,638.7)	$ (378.9)

The accompanying notes are an integral part of these consolidated financial statements.

SEMICONDUCTOR COMPONENTS INDUSTRIES, LLC AND SUBSIDIARIES
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS
(in millions)

	Year Ended December 31,			Quarter Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
			(In millions)	(unaudited)	(unaudited)
Cash flows from operating activities:					
Net income (loss)	$ (171.2)	$ (146.4)	$ (835.1)	$ (48.4)	$ (52.0)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	111.1	133.4	165.8	22.6	31.9
(Gain) loss on sale of fixed assets	(2.6)	(1.0)	(1.4)	12.2	0.3
Loss on debt prepayment	7.7	6.5	—	33.0	3.5
Cumulative effect of accounting change	21.5	—	155.2	—	21.5
Amortization of debt issuance costs and debt discount	8.7	8.1	6.0	1.9	2.2
Provision for excess inventories	13.0	12.1	50.9	—	4.0
Non-cash impairment of property, plant and equipment	30.7	12.4	56.2	—	—
Non-cash interest on junior subordinated note payable to Motorola	13.0	11.7	10.7	3.5	3.3
Non-cash writedown of other long-lived assets	25.6	—	—	—	—
Stock compensation expense	0.1	4.5	5.0	—	0.1
Deferred income taxes	0.2	7.8	317.0	(0.8)	(2.5)
Other	(0.4)	0.8	(1.6)	1.3	0.5
Changes in assets and liabilities:					
Receivables	(20.1)	22.7	135.4	(17.4)	(10.9)
Inventories	(20.5)	11.9	23.1	(11.0)	(10.7)
Other assets	4.6	6.5	(1.7)	6.2	6.5
Accounts payable	36.9	(38.6)	(56.6)	13.4	33.2
Accrued expenses	(15.8)	(8.1)	(51.5)	11.8	(22.7)
Due to and due from affiliates	12.2	4.8	(11.9)	(7.0)	11.7
Income taxes payables	(0.2)	(11.3)	(19.9)	—	5.3
Accrued interest	(18.3)	19.2	(4.5)	(9.3)	(20.8)
Deferred income on sales to distributors	(4.6)	(28.6)	(82.8)	14.9	(2.6)
Other long-term liabilities	(1.4)	2.1	3.6	(1.3)	9.7
Net cash provided by (used in) operating activities	30.2	30.5	(138.1)	25.6	11.5
Cash flows from investing activities:					
Purchases of property, plant and equipment	(56.1)	(26.5)	(117.9)	(30.0)	(6.0)
Deposits for purchases of property, plant and equipment	(6.8)	—	—	—	—
Acquistion of minority interests	(1.8)	—	(0.1)	—	—
Purchase of a affiliated company from Member	(18.5)	—	(0.5)	—	—
Loans to affiliates	—	—	(5.0)	—	—
Proceeds from repayment of loans to affiliates	63.3	—	—	—	—
Proceeds from sales of property, plant and equipment	13.2	4.5	13.8	—	—
Net cash used in investing activities	(6.7)	(22.0)	(109.7)	(30.0)	(6.0)
Cash flows from financing activities:					
Net capital contributions from Member	182.1	2.7	125.5	234.6	0.2
Proceeds from debt issuance	290.4	290.7	—	—	190.9
Proceeds from senior credit facilities and other borrowings	—	—	125.0	—	—
Payment of capital lease obligation	—	(1.1)	(1.9)	(0.6)	—
Payment of debt issuance costs	(15.3)	(12.1)	(5.1)	(0.3)	(9.3)
Repayment of long-term debt	(482.7)	(287.1)	(5.6)	(176.7)	(180.9)
Dividend to minority shareholder of consolidated subsidiary	—	—	—	(1.0)	—
Redemption premium on repayment of long-term debt	—	—	—	(21.0)	—
Net cash provided by (used in) financing activities	(25.5)	(6.9)	237.9	35.0	0.9
Effect of exchange rate changes on cash and cash equivalents	1.3	1.0	0.8	0.1	0.3
Net increase (decrease) in cash and cash equivalents	(0.7)	2.6	(9.1)	30.7	6.7
Cash and cash equivalents, beginning of period	182.4	179.8	188.9	181.7	182.4
Cash and cash equivalents, end of period	$ 181.7	$ 182.4	$ 179.8	$ 212.4	$ 189.1

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Background and Basis of Presentation

Semiconductor Components Industries, LLC (“SCI LLC” or the “Company”) is a wholly-owned subsidiary of ON Semiconductor Corporation (“ON Semiconductor”). The Company is one of the largest independent suppliers of semiconductor components in the world. Formerly known as the Semiconductor Components Group of the Semiconductor Products Sector of Motorola, Inc., ON Semiconductor was a wholly-owned subsidiary of Motorola Inc. (“Motorola”) prior to its August 4, 1999 recapitalization (the “Recapitalization”). ON Semiconductor continues to hold, through direct and indirect subsidiaries, substantially all the assets and operations of the Semiconductor Components Group of Motorola’s Semiconductor Products Sector.

On August 4, 1999, ON Semiconductor was recapitalized and certain related transactions were effected pursuant to an agreement among ON Semiconductor, the Company, Motorola and affiliates of Texas Pacific Group (“TPG”). Because TPG’s affiliate did not acquire substantially all of ON Semiconductor’s common stock, the basis of ON Semiconductor’s assets and liabilities for financial reporting purposes was not impacted by the Recapitalization.

In the fourth quarter of 2003, ON Semiconductor transferred the ownership of a majority-owned subsidiary to the Company in exchange for $18.5 million in cash. The transaction was accounted for as the combination of companies under common control and has been reflected in the accompanying consolidated financial statements retroactively on a historical cost basis.

The book value of the net assets transferred was $2.4 million. The excess of the purchase price over the historical cost of the net assets acquired of $16.1 million has been reflected as a distribution to ON Semiconductor in the accompanying consolidated financial statements. Concurrent with this transaction, ON Semiconductor made a capital contribution to the Company equal to the amount of the purchase price.

The accompanying unaudited financial statements as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company’s management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of December 31, 2003 and for the year then ended included in the Company’s annual report on Form 10-K, as amended, for the year ended December 31, 2003.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables, and deferred tax assets; accruals for customer incentives, warranties, and restructuring charges, inventory writedowns and pension obligations; the fair values of financial instruments (including derivative financial instruments); and future cash flows associated with long-lived assets. Actual results could differ from these estimates. Certain prior period amounts have been revised to conform to the current period presentation. These changes had no impact on previously reported net loss or stockholders’ deficit.

Note 2: Liquidity

During the quarter ended April 2, 2004, ON Semiconductor incurred a net loss of $47.6 million compared to a net loss of $50.5 million for the quarter ended April 4, 2003. ON Semiconductor’s net loss included net charges from restructuring, asset impairments and other, net of $13.1 million for the quarter ended April 2, 2004. ON Semiconductor’s net loss for the first quarter of 2004 also included a charge of $33.0 million for loss on debt prepayment. ON Semiconductor’s net loss for the first quarter of 2003 included a charge of $21.5 million relating to a change in accounting principle described in Note 3 and $3.5 million for loss on debt prepayment. Net cash provided by operating activities was $32.8 million for the quarter ended April 2, 2004, as compared $4.6 million for the quarter ended April 4, 2003.

At April 2, 2004, ON Semiconductor had $221.4 million in cash and cash equivalents, net working capital of $250.8 million, term and revolving debt of $1,141.2 million in the aggregate and a stockholders’ deficit of $463.1 million. ON Semiconductor’s long-term debt includes $320.1 million under its senior bank facilities; $124.7 million (net of discount) of its 12% first lien senior secured notes due 2010; $190.4 million (net of discount) of its 13% second lien senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $143.4 million under its 10% junior subordinated note due 2011; $23.0 million under a note payable to a Japanese bank due 2010; $66.8 million under loan facilities with Chinese banks; and $12.8 million under capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements as of April 2, 2004 and expects to remain in compliance over the next twelve months.

During the year ended December 31, 2003, ON Semiconductor incurred a net loss of $166.7 million compared to net losses of $141.9 and $831.4 million in 2002 and 2001, respectively. ON Semiconductor’s net results included restructuring, asset impairments and other, net of $61.2 million, $27.7 million and $150.4 million in 2003, 2002 and 2001, respectively, as well as interest expense of $151.1, $152.5 million and $143.6 million, respectively. ON Semiconductor’s operating activities provided cash of $45.7 million in 2003 and $46.4 million in 2002 and used cash of $116.4 million in 2001.

At December 31, 2003, ON Semiconductor had $186.6 million in cash and cash equivalents, net working capital of $212.5 million, term or revolving debt of $1,302.9 million and a stockholders’ deficit of $644.6 million. ON Semiconductor’s long-term debt includes $320.1 million under its senior bank facilities; $191.6 million (net of discount) of its 13% senior secured notes due 2010; $292.6 million (net of discount) of its 12% senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $139.9 million under a 10% junior subordinated note payable to Motorola due 2011; $48.0 million under a loan facility with a Chinese bank due 2013; $24.3 million under a note payable to a Japanese bank due 2010; $20.0 million under a loan facility with a Chinese bank due 2007; and $6.4 million under a capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements at December 31, 2003 and expects to remain in compliance over the next twelve months.

In February 2004, ON Semiconductor completed a public offering of common stock resulting in net proceeds of $226.7 million. The net proceeds were used to redeem $70.0 million principal amount of ON Semiconductor’s 13% senior secured notes due 2010 and $105.0 million principal amount of the 12% senior securied notes due 2008 at a redemption price of 112% of the principal amount of such notes. The remaining proceeds will be used for general corporate purposes.

ON Semiconductor’s ability to service its long-term debt, to remain in compliance with the various covenants and restrictions contained in its credit agreements and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may beyond its control.

If ON Semiconductor fails to generate sufficient cash from operations, it may need to raise additional equity or borrow additional funds to achieve its longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to ON Semiconductor. Management believes that cash flow from operating activities coupled with existing cash balances will be adequate to fund ON Semiconductor’s operating and capital needs as well as enable it to maintain compliance with its various debt agreements through April 2, 2005. To the extent that results or events differ from ON Semiconductor’s financial projections or business plans, the Company’s liquidity may be adversely impacted.

Note 3: Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned and majority-owned subsidiaries. Investments in companies that represent less than 20% of the related voting stock are accounted for on the cost basis as the Company does not exercise significant influence. All material intercompany accounts and transactions have been eliminated.

Reclassifications

Certain amounts have been reclassified to conform with the current year presentation.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables, inventories and deferred tax assets; reserves for customer incentives, restructuring charges and pension obligations; the fair values of financial instruments (including derivative financial instruments); and future cash flows associated with long-lived assets. Actual results could differ from these estimates.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis), or market. The Company records provisions for slow moving inventories based upon a regular analysis of inventory on hand compared to historical and projected end user demand. Projected end user demand is generally based on sales during the prior twelve months. These provisions can influence results from operations. For example, when demand for a given part falls, all or a portion of the related inventory is reserved, impacting cost of sales and gross profit. If demand recovers and the parts previously reserved are sold, a higher than normal margin will generally be recognized. General market conditions as well as the Company's design activities can cause certain of its products to become obsolete.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives of 30-40 years for buildings and 3-20 years for machinery and equipment using accelerated and straight-line methods. Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the related carrying amount of an asset may not be recoverable. Impairment is assessed when the undiscounted expected cash flows derived for an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which the Company operates and the resulting assumptions used to estimate future cash flows impact the outcome of these impairment tests.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in ON Semiconductor's April 2000 acquisition of Cherry Semiconductor Corporation (Cherry). The Cherry goodwill was being amortized on a straight-line basis over its estimated useful life of ten years until January 1, 2002 when the Company adopted Statement of Financial Accounting Standards ("SFAS") 142, "Goodwill and Other Intangible Assets." The Company also acquired another intangible asset in the Cherry acquisition that until July 5, 2003 was being amortized on a straight-line basis over its estimated useful life. In the second quarter of 2003, that intangible asset was determined to be impaired and was written-off. See Note 5 "Restructuring, Asset Impairments and Other, net".

Under SFAS 142, goodwill is evaluated for potential impairment on an annual basis or whenever events or circumstances indicate that an impairment may have occurred. SFAS 142 requires that goodwill be tested for impairment using a two-step process. The first step of the goodwill impairment test, used to identify potential impairment, compares the estimated fair value of the reporting unit containing goodwill with the related carrying amount. If the estimated fair value of the reporting unit exceeds its carrying amount, the reporting unit's goodwill is not considered to be impaired and the second step of the impairment test is unnecessary. If the reporting unit's carrying amount exceeds its estimated fair value, the second step test must be performed to measure the amount of the goodwill impairment loss, if any. The second step test compares the implied fair value of the reporting unit's goodwill, determined in the same manner as the amount of goodwill recognized in a business combination, with the carrying amount of such goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to that excess. The Company performs its annual impairment analysis as of the first day of the fourth quarter of each year.

Debt Issuance Costs

Debt issuance costs are capitalized and amortized over the terms of the underlying agreements using the effective interest method. Upon prepayment of debt, the related unamortized debt issuance costs are charged to expense. Amortization of debt issuance costs is included in interest expense while the unamortized balance is included in other assets. Capitalized debt issuance costs totaled $34.7 million and $33.7 million at December 31, 2003 and 2002, respectively.

Revenue Recognition

The Company generates revenue from sales of its semiconductor products to original equipment manufacturers, distributors and electronic manufacturing service providers. The Company recognizes revenue on sales to original equipment manufacturers and electronic manufacturing service providers when title passes to the customer net of provisions for related sales returns and allowances.

Prior to January 1, 2001, the Company recognized revenue on distributor sales when title passed to the distributor. Provisions were also recorded at that time for estimated sales returns as well as for other related sales costs and allowances. Effective January 1, 2001, the Company changed its revenue recognition policy with respect to distributor sales so that the related revenues are now deferred until the distributor resells the product to the end user. This change eliminated the need to provide for estimated sales returns from distributors. Title to products sold to distributors typically passes at the time of shipment by the Company so the Company records accounts receivable for the amount of the transaction, reduces its inventory for the products shipped and defers the related margin in the consolidated balance sheet. The Company recognizes the related revenue and margin when the distributor sells the products to the end user. Although payment terms vary, most distributor agreements require payment within 30 days.

Research and Development Costs

Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company accounts for employee stock options relating to the common stock of ON Semiconductor in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations ("APB 25") and provides the pro forma disclosures required by SFAS No. 123 "Accounting for Stock Based Compensation" ("SFAS No. 123"). The Company measures compensation expense relating to non-employee stock awards in accordance with SFAS No. 123.

Had the Company determined employee stock compensation expense in accordance with SFAS No. 123, the Company's net loss for the years ended December 31, 2003, 2002, and 2001 and the three months ended April 4, 2003 and April 2, 2004 would have been increased to the pro forma amounts indicated below (in millions):

	Year ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004 (unaudited)	April 4, 2003 (unaudited)
Net loss, as reported	$ (171.2)	$ (146.4)	$ (835.1)	$ (48.4)	$ (52.0)
Add: Stock-based employee compensation expense included in report net loss, net of related tax effects	0.1	4.5	3.7	—	—
Less: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects	(14.8)	(13.9)	(17.9)	(5.7)	(3.6)
Pro-forma net loss	(185.9)	(155.8)	(849.3)	(54.1)	(55.6)

The fair value of each option grant has been estimated at the date of grant while the fair value of the discount on the shares sold under the ON Semiconductor 2000 Employee Stock Purchase Plan has been estimated at the beginning of each of the respective offering periods, both using a Black-Scholes option-pricing model with the following weighted-average assumptions:

				Three Months Ended	
Employee Stock Options	2003	2002	2001	April 2, 2004 (unaudited)	April 4, 2003 (unaudited)
Expected life (in years)	5	5	5	5	5
Risk-free interest rate	3.07%	4.09%	4.82%	3.20%	3.03%
Volatility	0.78	0.70	0.70	0.70	0.70

				Three Months Ended	
Employee Stock Purchase Plan	2003	2002	2001	April 2, 2004 (unaudited)	April 4, 2003 (unaudited)
Expected life (in years)	0.25	0.25	0.25	0.25	0.25
Risk-free interest rate	1.07%	1.71%	4.26%	0.95%	1.22%
Volatility	0.83	0.70	0.70	0.60	0.70

The weighted-average estimated fair value of employee stock options granted during 2003, 2002 and 2001 was $1.50, $1.85 and $3.25 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan during 2003, 2002 and 2001 was $0.62, $0.60 and $1.24, respectively.

The weighted-average estimated fair value of employee stock options granted during the first three months of 2004 and 2003 was $4.23 and $0.76 per share, respectively. The weighted-average estimated fair value of the discount on shares sold under the 2000 Employee Stock Purchase Plan during the first three months of 2004 and 2003 was $1.63 and $0.37 per share, respectively.

Income Taxes

Income taxes are accounted for using the asset and liability method and are determined on a separate return basis. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized.

In determining the amount of the valuation allowance, estimated future taxable income as well as feasible tax planning strategies in each taxing jurisdiction are considered. If all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if the Company will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. In the fourth quarter of 2001, a valuation allowance was established for the majority of the Company’s domestic deferred tax assets and a portion of the Company’s foreign deferred tax assets. Additionally, throughout 2002 and 2003, no incremental domestic deferred tax benefits were recognized. The Company’s ability to utilize its deferred tax assets and the continuing need for a related valuation allowance are monitored on an ongoing basis.

Foreign Currencies

Most of the Company’s foreign subsidiaries conduct business primarily in U.S. dollars and as a result, utilize the dollar as their functional currency. For the translation of financial statements of these subsidiaries, assets and liabilities that are receivable or payable in cash are translated at current exchange rates while inventories and other non-monetary assets are translated at historical rates. Gains and losses resulting from the translation of such financial statements are included in the operating results, as are gains and losses incurred on foreign currency transactions. The Company’s remaining foreign subsidiaries utilize the local currency as their functional currency. The assets and liabilities of these subsidiaries are translated at current exchange rates while revenues and expenses are translated at the average rates in effect for the period. The related translation gains and losses are included in accumulated other comprehensive income (loss) within member’s equity (deficit).

Defined Benefit Plans

The Company maintains pension plans covering certain of its employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increases for plan employees. All of these assumptions are based upon management’s judgement, considering all known trends and uncertainties. As described in Note 4, “Accounting Changes”, the Company changed its method of accounting for net unrecognized actuarial gains or losses relating to its defined benefit pension obligations effective January 1, 2003.

Contingencies

The Company is involved in a variety of legal matters that arise in the normal course of business. Based on information available, management evaluates the relevant range and likelihood of potential outcomes. In accordance with SFAS No. 5, “Accounting for Contingencies”, management records the appropriate liability when the amount is deemed probable and estimable.

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact the Company's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. The Company's adoption of the other provisions of SFAS No. 150 at the beginning of the third quarter of 2003 did not impact its financial condition or results of operations.

In the second quarter of 2003, the Company adopted FASB Interpretation No. 46 ("FIN No. 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51". FIN No. 46 requires that certain variable interest entities (VIE's) be consolidated by the primary beneficiary, as that term is defined in FIN No. 46. The adoption of FIN No. 46 did not impact the Company's financial condition or results of operations.

In December 2003, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits (revised 2003)". SFAS No. 132 revises employers' disclosures about pension plans and other postretirement benefit plans. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132, which also requires new disclosures for interim periods beginning after December 15, 2003, is effective for fiscal years ending after December 15, 2003 except for certain disclosures associated with foreign plans which are required for years ended after June 15, 2004. The Company adopted this Statement for the year ended December 31, 2003 and has included the required disclosures in Note 10 "Employee Benefit Plans".

In March 2004, the Emerging Issues Task Force ("EITF") reached final consensuses on Issue 03-6 "Participating Securities and the Two-Class Method under FASB Statement No. 128, *Earnings per Share"* ("Issue 03-6"). Issue 03-6 addresses the computation of earnings per share by companies that have issued securities other than common stock and such securities entitle the holder to participate in dividends and earnings of the company when, and if, it declares dividends on its common stock. The issue also provides further guidance in applying the two-class method of calculating earnings per share. The Company does not expect the adoption of Issue 03-6 to impact its financial condition or results of operations.

Note 4: Accounting Changes

Defined Benefit Pension Obligations

The Company changed its method of accounting for unrecognized net actuarial gains or losses relating to its defined benefit pension obligations. Historically, the Company amortized such net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. The Company will no longer defer actuarial gains or losses but will recognize such gains and losses during the fourth quarter of each year, which is the period the Company's annual pension plan actuarial valuations are prepared. Management believes that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred.

The impact of this change for periods prior to January 1, 2003 was a charge of $21.5 million, both before and after income taxes, and has been reflected as the cumulative effect of a change in accounting principle in the Company's consolidated statement of operations for the year ended December 31, 2003. The effect of the change on the year ended December 31, 2003 was to decrease the loss before cumulative effect of accounting change by $5.5 million, both before and after income taxes, and to increase the net loss by $16.0 million, both before and after income taxes. Absent the accounting change, the $21.5 million of net unrecognized actuarial losses at December 31, 2002 would have been recognized as an operating expense in future periods.

The estimated pro forma effects of the accounting change on the Company's results of operations for the years ended December 31, 2002 and 2001 were as follows (in millions):

	Year Ended December 31,	
	2002	2001
As reported:		
Net loss before cumulative effect of accounting change	$ (146.4)	$ (718.7)
Net loss	$ (146.4)	$ (835.1)
Pro forma amounts reflecting the accounting change applied retroactively:		
Net loss before cumulative effect of accounting change	$ (150.8)	$ (728.9)
Net loss	$ (150.8)	$ (845.3)

Goodwill and Other Intangible Assets

Effective January 1, 2002, the Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS 142 prohibits the amortization of goodwill and indefinite-lived intangible assets and requires that such assets be tested for impairment on an annual basis or whenever events or circumstances indicate that the related carrying value may be impaired, requires that reporting units be identified for the purpose of assessing potential future impairments of goodwill, and removes the forty-year limitation on the amortization period of intangible assets that have finite lives.

The Company's goodwill at January 1, 2002 totaled $77.3 million and related to the acquisition of Cherry in April 2000. As a result of the adoption of SFAS No. 142, the Company discontinued amortization of the Cherry goodwill at the beginning of 2002. The Company has no other indefinite-lived intangible assets.

The following table, with comparable actual amounts for the year ended December 31, 2001, sets forth the pro forma effects on net loss assuming that the Company had adopted the provisions of SFAS No. 142 as of January 1, 2001:

	As reported 2001	Pro forma 2001
Reported net loss before cumulative effect of accounting change	$ (718.7)	$ (718.7)
Add back: Goodwill amortization, net of tax		10.7
Pro forma net loss before cumulative effect of accounting change		$ (708.0)
Reported net loss	$ (835.1)	$ (835.1)
Add back: Goodwill amortization, net of tax		10.7
Pro forma net loss		$ (824.4)

Revenue Recognition

Sales are made to distributors under agreements that allow certain rights of return and price protection on products that are not resold by such distributors. Prior to January 1, 2001, the Company recognized revenue on distributor sales when title passed to the distributor. Provisions were also recorded at that time for estimated sales returns from distributors on unsold products. Effective January 1, 2001, the Company changed its revenue recognition method on sales to distributors so that such revenues are recognized at the time the distributor sells the Company's products to the end customer. Title to products sold to distributors typically passes at the time of shipment by the Company so the Company records accounts receivable for the amount of the transaction, reduces its inventory for the products shipped and defers the related margin in the consolidated balance sheet. The Company recognizes the related revenue and margin when the distributor sells the products to the end user. Although payment terms vary, most distributor agreements require payment within 30 days.

Management believes that this accounting change was to a preferable method because it better aligns reported results with, focuses the Company on, and allows investors to better understand end user demand for the products the Company sells through distribution. Additionally, the timing of revenue recognition is no longer influenced by the distributor's stocking decisions.

The impact of the accounting change for periods prior to 2001 was a charge of $155.2 million ($116.4 million, net of income taxes) and is reflected as the cumulative effect of change in accounting principle in the Company's consolidated statement of operations in 2001. The accounting change resulted in an increase in revenues of $116.6 million and a reduction in net loss of $53.1 million for the year ended December 31, 2001.

Derivatives Instruments and Hedging Activities

The Company adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, which establishes standards for the accounting and reporting for derivative instruments, including derivative instruments embedded in other contracts, and hedging activities effective January 1, 2001.

Upon adoption, the Company recorded a charge of approximately $5.7 million to accumulated other comprehensive income (loss). This charge consisted of an approximate $2.2 million adjustment to record the Company's interest rate swaps in the consolidated balance sheet at their estimated fair values as well as the write-off of an approximate $3.5 million deferred charge relating to the payment made in December 2000 for the early termination of an interest rate protection agreement relating to a portion of the amounts outstanding under the Company's senior bank facilities.

The Company uses forward foreign currency contracts to reduce its overall exposure to the effects of foreign currency fluctuations on its results of operations and cash flows. The fair value of these derivative instruments are recorded as assets or liabilities with gains and losses offsetting the losses and gains on the underlying assets or liabilities. The adoption of SFAS 133 did not impact the Company's accounting and reporting for these derivative instruments.

Note 5: Restructuring, Asset Impairments and Other, Net

The activity related to the Company's restructuring, asset impairments and other, net is as follows (in millions):

	Reserve Balance at December 31, 2003	2004 Charges	2004 Usage	Reserve Balance at April 2, 2004
March 2004				
Cash employee separation charges	$ —	$ 0.3	$ (0.2)	$ 0.1
Loss on sale of fixed assets	—	12.0	(12.0)	—
	—			0.1
December 2003				
Cash employee separation charges	5.2	0.7	(0.5)	5.4
Cash exit costs	0.4	0.1	(0.1)	0.4
	5.6			5.8
September 2003				
Cash employee separation charges	0.5	—	(0.1)	0.4
December 2002				
Cash employee separations charges	3.1	—	(1.3)	1.8
Cash exit costs	0.7	—	—	0.7
	3.8			2.5
June 2002				
Cash exit costs	2.5	—	—	2.5
March 2002				
Cash employee separations charges	0.3	—	(0.1)	0.2
June 2001				
Cash exit costs	0.4	—	—	0.4
	$ 13.1	$ 13.1	$ (14.3)	$ 11.9

	Reserve Balance at December 31, 2002	2003 Charges	2003 Usage	2003 Adjustments	Reserve Balance at December 31, 2003
December 2003					
Cash employee separation charges	$ —	$ 5.2	—	—	$ 5.2
Cash exit costs	—	0.4	—	—	0.4
Non-cash impairment of property, plant and equipment	—	20.2	(20.2)	—	—
Write-down of long-term receivable and investment	—	4.3	(4.3)	—	—
	$ —				5.6
September 2003					
Cash employee separation charges	—	1.4	(0.9)	—	0.5
June 2003					
Cash employee separation charges	—	0.4	(0.4)	—	—
Cash exit costs	—	1.4	(1.4)	—	—
Non-cash impairment of property, plant and equipment	—	10.5	(10.5)	—	—
Non-cash impairment of intangible asset	—	20.8	(20.8)	—	—
Write down of investment	—	0.5	(0.5)	—	—

	—				—
December 2002					
Cash employee separation charges	9.9	—	(6.7)	(0.1)	3.1
Cash exit costs	1.8	—	(1.1)	—	0.7
	11.7				3.8
June 2002					
Cash employee separation charges	0.4	—	(0.4)	—	—
Cash exit costs	1.5	—	—	1.0	2.5
	1.9				2.5
March 2002					
Cash employee separation charges	3.0	—	(2.8)	0.1	0.3
December 2001					
Cash employee separation charges	0.1	—	—	(0.1)	—
June 2001					
Cash exit costs	2.8	—	(2.2)	(0.2)	0.4
	$ 19.5	$ 65.1	$ (72.2)	$ 0.7	$ 13.1

	Reserve Balance at December 31, 2001	2002 Charges	2002 Usage	2002 Adjustments	Reserve Balance at December 31, 2002
December 2002					
Cash employee separations charges	$ —	$ 10.1	$ (0.2)	$ —	$ 9.9
Cash exit costs	—	1.8	—	—	1.8
Non-cash impairment of property, plant and equipment		1.0	(1.0)	—	—
	—				11.7
June 2002					
Cash employee separations charges	—	2.9	(2.5)	—	0.4
Cash exit costs	—	2.8	(1.3)	—	1.5
Non-cash impairment of property, plant and equipment	—	8.4	(8.4)	—	—
Non-cash stock compensation charges	—	1.0	(1.0)	—	—
	—				1.9
March 2002					
Cash employee separations charges	—	7.0	(4.3)	0.3	3.0
Non-cash stock compensation charges	—	0.2	(0.2)	—	—
	—				3.0
December 2001					
Cash employee separations charges	2.2	—	(2.1)	—	0.1
June 2001					
Cash employee separations charges	6.8	—	(5.7)	(1.1)	—
Cash exit costs	10.0	—	(8.1)	0.9	2.8
	16.8				2.8
March 2001					
Cash employee separations charges	0.8	—	(0.7)	(0.1)	—
	$ 19.8	$ 35.2	$ (35.5)	$ (0.0)	$ 19.5

	Reserve Balance at December 31, 2000	2001 Charges	2001 Usage	Reserve Balance at December 31, 2001
Prior restructuring programs	$ 0.7	$ —	$ (0.7)	$ —
December 2001				
Cash employee separations charges	—	4.0	(1.8)	2.2
Non-cash impairment of property, plant and equipment	—	11.1	(11.1)	—
Non-cash stock compensation and pension charges	—	1.5	(1.5)	—
	—			2.2
June 2001				
Cash employee separations charges	—	36.4	(29.6)	6.8
Cash exit costs	—	10.0	—	10.0
Non-cash impairment of property, plant and equipment	—	42.2	(42.2)	—
Non-cash stock compensation and pension charges	—	7.2	(7.2)	—
	—			16.8
March 2001				
Cash employee separations charges	—	31.3	(30.5)	0.8
Non-cash impairment of property, plant and equipment	—	2.9	(2.9)	—
	—			0.8
	$ 0.7	$ 146.6	$ (127.5)	$ 19.8

As of April 2, 2004 the reserve balance of $11.9 million was comprised of employee severance charges of $7.9 million and exit costs of $4.0 million. A reconciliation of the activity in the tables above to the “Restructuring, asset impairments and other, net” caption on the statement of operations for the years ended December 31, 2003, 2002 and 2001, respectively (in millions):

	2003
2003 Charges	$ 65.1
Less: Adjustments to prior year charges	0.7
Less: Gain on sale of Guadalajara facility*	(4.6)
	$ 61.2

	2002
2002 Charges	$ 35.2
Plus: Charges related to Guadalajara (June 2001) and France (March 2002)	1.9
Less: Reserves released during the period	(1.9)
Plus: Charges related to the termination of executive officers (December 2002)*	4.9
Less: Motorola settlement gain*	(12.4)
	$ 27.7

	2001
2001 Charges	$146.6
Plus: Charges related to the termination of an executive officer (March 2001)*	3.8
	$150.4

* Not included in above tables

March 2004

In March 2004, the Company recorded $13.1 million in restructuring, asset impairment and other, net charges. These charges included $12.0 million of loss on sale of fixed assets, $1.0 million to cover employee separation costs and $0.1 million of exit costs.

At the end of the first quarter of 2004, the Company entered into a five-year agreement with respect to the outsourcing of information technology (“IT”) infrastructure, messaging, data center network, help desk and onsite management services. As part of the agreement, the Company sold certain system software modules, licenses and hardware for $3.8 million, which had a net book value of $15.8 million prior to the sale, resulting in a loss on sale of fixed assets of $12.0 million. The Company then leased back such system software modules and associated hardware and leased certain new hardware.

As a result of the new IT outsourcing agreement, the Company plans to reduce its current IT staffing levels. In connection with this reduction, the Company recorded a $0.3 million severance charge related to the termination of 12 employees in the United States. All terminations and associated severance payments related to these charges are expected to be completed by the fourth quarter of 2004.

The remaining $0.7 million of employee separation costs relates to the previously announced shutdown of the Company’s back-end manufacturing lines in Roznov, Czech Republic. This amount represents a portion of the total severance benefits for approximately 460 employees. The Company previously recorded a similar charge of $0.5 million in the fourth quarter of 2003, and management estimates that additional severance charges of approximately $0.9 million related to such shutdown will be recognized ratably throughout the remainder of 2004.

The $0.1 million of exit costs relate to certain exit activities that were completed in connection with previously announced shutdown of manufacturing operations in East Greenwich, Rhode Island.

December 2003

In December 2003, the Company recorded $30.1 million in restructuring, asset impairment and other charges. These charges included $5.2 million to cover employee separation costs, $0.4 million of lease and contract termination exit costs and $20.2 million of asset impairments associated with the Company’s restructuring programs, and $4.3 million of other charges associated with the write-down of certain other assets. The Company also recorded a $0.2 million reversal of amounts previously recorded in connection with the Company’s June 2001 and December 2002 restructuring programs described below.

The employee separation costs of $5.2 million reflect the phase-out of manufacturing operations of the Company’s East Greenwich, Rhode Island facility, the shutdown of the Company’s back-end manufacturing lines in Roznov, Czech Republic, and further reductions in general and administrative staffing levels in the United States and Western Europe. The employee separation charges for East Greenwich totaled $3.8 million for approximately 325 employees. The Czech Republic employee separation charge of $0.5 million represents a portion of the total severance charges for approximately 460 employees. The additional severance cost of approximately $1.6 related to the Czech Republic will be recognized ratably over 2004. The remaining $0.9 million charge relates to severance benefits for approximately 10 employees in general and administrative functions in the United States and Europe. All terminations and associated severance payments related to this charge are expected to be completed by the second quarter of 2005.

The lease and contract termination costs of $0.4 million reflect costs incurred in connection with the consolidation of sales, distribution and administrative facilities in North America.

The $20.2 million of asset impairments include $15.3 million associated with the East Greenwich, Rhode Island facility and $4.9 million associated with the closure of the back-end manufacturing lines in Roznov, Czech Republic. The Company measured the amount of each asset impairment by comparing the carrying values of the respective assets to their related estimated fair values. The Company estimated future net cash flows for the period of continuing manufacturing activities (December 2004 for East Greenwich and Roznov) for each group of assets using price, volume, cost and salvage value assumptions that management considered reasonable in the circumstances. The impairment charges were recorded for the amount by which the carrying value of the respective assets exceeded their estimated fair value.

The $4.3 million of other charges consist of the $2.3 million write-off of a long-term note receivable and a $2.0 million write-down of a cost basis investment. The note receivable was created in connection with the sale of certain equipment in 2001 and was fully reserved during the fourth quarter of 2003 when the counterparty defaulted on the obligation. We continue to attempt to collect this note. The cost basis investment relates to a semiconductor start-up company that was written down in the fourth quarter of 2003 based on that company’s operating performance and liquidity concerns.

September 2003

In September 2003, the Company recorded a $4.6 million gain in connection with the sale of its Guadalajara, Mexico facility. This gain was partially offset by charges totaling $1.4 million associated with worldwide restructuring programs to cover employee separation costs relating to the termination of approximately 36 employees, reflecting further reductions in manufacturing and general and administrative personnel in France, Germany, the Czech Republic, Hong Kong and the United States. The Company also recorded a $0.2 million reversal of amounts previously recorded in connection with the Company's June 2001 and December 2001 restructuring programs as described below and an additional $0.1 million charge associated with its March 2002 restructuring program. All impacted employees have been terminated, and the Company currently expects to pay out the remaining employee severance costs by September 2004.

June 2003

In June 2003, the Company recorded charges totaling $13.3 million associated with its worldwide restructuring programs. The charges include $0.4 million to cover employee separation costs relating to the termination of approximately 16 employees, $1.4 million of lease and contract termination exit costs, $10.5 million of asset impairments and an additional $1.0 million associated with a supply contract that was terminated as part of the June 2002 restructuring program.

The employee separation costs reflected further reductions in general and administrative staffing levels primarily in the United States. All impacted employees have been terminated, and the Company has made all severance payments.

The lease and contract termination exit costs relate to the exit of certain sales and administrative offices and the termination of other purchase and supply agreements. All associated exit costs have been paid.

The $10.5 million of asset impairments include $3.3 million associated with an assembly and test packaging production line in Malaysia which was written down to estimated fair value based on its future net discounted cash flows. Additionally, the Company identified certain buildings, machinery, software and equipment that would no longer be used internally due to the continued consolidation of manufacturing and general and administrative functions primarily in the United States and recorded a charge of $7.2 million to write-down the remaining carrying value of these assets to their net realizable value.

The Company also recorded non-cash impairment charges totaling $21.3 million including $20.8 million relating to the write-off of the developed technology intangible asset associated with the Cherry acquisition and a $0.5 million write-off of a cost basis investment. Sustained price declines in certain product lines triggered an impairment analysis of the carrying value of the developed technology intangible asset and resulted in the Company recording an impairment charge of $20.8 million. The Company measured the amount of the impairment charge by comparing the carrying value of the developed technology to its estimated fair value. The Company estimated future net cash flows associated with the developed technology intangible asset using price, volume and cost assumptions that management considered to be reasonable in the circumstances. The Company will no longer incur amortization expense of approximately $12.0 million per year related to this intangible asset.

December 2002

In December 2002, the Company recorded $12.6 million (net of a $0.6 adjustment) restructuring, asset impairments and other charges including $10.1 million for employee separation costs relating the termination of approximately 300 employees, $1.0 million of asset impairments and approximately $1.8 million in expected lease termination and other exit costs associated with the decommissioning of certain assets. The headcount reductions began in the first quarter of 2003 and are expected to be completed by June 2004 and impacted both manufacturing and non-manufacturing personnel mainly in the United States. The asset impairments relate to the closure of a production line and an abandoned capital equipment project in the Czech Republic. The charge also included an additional $0.3 million reserve related to a headcount reduction in Toulouse, France that was part of the March 2002 restructuring program. The $0.6 adjustment related to release of previous reserves associated with our March 2001 and June 2001 restructuring programs due the Company's analysis of estimated costs to complete those programs. At April 2, 2004, 35 employees included under this program remain and are expected to be terminated in 2004 and the related unpaid severance payments of $1.8 million are expected to be paid by June 2004. At April 2, 2004 the remaining liability relating to exit costs was $0.7 million and is expected to be paid out by June 2005.

In December 2002, the Company also recorded a $4.9 million charge to cover the costs associated with the separation of two of its executive officers. In connection with the separation, the Company reserved $2.0 million related to the cash portion of the related separation agreements. In addition, the Company agreed to modify the vesting and exercise period for a portion of the executives' stock options. This modification resulted in a non-cash stock compensation charge of $2.9 million with an offsetting credit to additional paid-in capital.

June 2002

In June 2002, the Company recorded charges totaling $16.7 million for costs associated with its worldwide restructuring programs. The charges included $3.9 million to cover employee separation costs associated with the termination of 79 U.S. employees, $2.8 million for exit costs consisting primarily of manufacturing equipment and supply contract termination charges, and $8.4 million for equipment write-offs that were charged directly against the related assets. An additional $1.0 million in exits costs and $0.6 million in employee separation costs were accrued relating to the closure of the Company's Guadalajara, Mexico manufacturing facility that was part of the June 2001 restructuring described below.

The employee separation costs reflected further reductions in general and administrative staffing levels and included $1.0 million of non-cash stock compensation charges associated with the modification of stock options for certain terminated employees. All impacted employees have been terminated and the related severance costs were paid during 2003.

As a result of continuing economic conditions, the Company determined that certain manufacturing equipment purchase and supply agreements were no longer economical to complete and recorded estimated termination charges of $2.8 million during the second quarter of 2002. As of December 31, 2003, the Company had settled certain of these obligations with payments of $1.3 million. In June 2003, the Company recorded an additional $1.0 million associated with a supply contract that was terminated as part of the June 2002 restructuring program. At December 31, 2003, all employees had been terminated under the restructuring program. The Company is currently in discussions to settle its remaining obligations.

During the second quarter of 2002, the Company identified certain manufacturing equipment that would no longer be used internally and recorded a charge of $7.0 million to write-down the remaining carrying value to its estimated net realizable value. Additionally, the Company determined that it would not invest the capital required to complete an equipment project and recorded a charge of $1.4 million to write-off the carrying value of the related project.

During the second quarter of 2002, the Company reached a settlement of various contractual issues with Motorola in exchange for a cash payment from Motorola of $10.6 million which resulted in a related gain of $12.4 million (see Note 15 "Related Party Transactions" for further details of the Motorola settlement). The Company also recorded a $1.2 million reversal of amounts previously provided in connection with the June 2001 restructuring program as a result of favorable negotiated contract termination costs.

March 2002

In March 2002, the Company recorded a $7.1 million (net of a $0.1 million adjustment) charge to cover employee separation costs relating to the termination of approximately 72 employees. Approximately $5.0 million of this charge is attributable to employee terminations resulting from the Company’s decision to relocate its European administrative functions from Toulouse, France to Roznov, Czech Republic and Piestany, Slovakia. The relocation of these functions was completed in 2003. The remaining $2.2 million relates to reductions in selling, general and administrative personnel primarily in the U.S. The March 2002 charge also included $0.2 million of non-cash employee stock compensation expense associated with the modification of stock options for certain terminated employees. As discussed previously, the Company recorded an additional $0.3 million in employee separation costs relating to the relocation of the administrative functions in Toulouse, France during the fourth quarter of 2002 and $0.1 million during 2003 as a result of its reevaluation of remaining costs to be incurred. At December 31, 2003, all employees have been terminated under this program. At April 2, 2004 the remaining liability relating to this restructuring was $0.2 million and will be paid by December 2004.

December 2001

In December 2001, the Company recorded charges totaling $16.6 million for costs associated with its worldwide restructuring programs. The charges included $5.5 million to cover employee separation costs associated with the termination of 50 employees as well as $11.1 million for property and equipment write-offs that were charged directly against the related assets.

The employee separation costs reflected reductions in selling, general and administrative staffing levels in the U.S., United Kingdom, Germany, France and Singapore and included $0.2 million of non-cash charges associated with the modification of stock options for certain terminated employees as well as $1.3 million for additional pension charges related to the terminated employees. (The additional pension charge is reflected in the Company’s accrued pension liability in the consolidated balance sheet.) As of December 31, 2003, all impacted employees had been terminated and the related severance amounts had been paid.

The $11.1 million charge related to the write-off of certain property and equipment located in Phoenix, Arizona that the Company determined would no longer be utilized as a result of the its restructuring activities.

June 2001

In June 2001, the Company recorded charges totaling $95.8 million for costs associated with its worldwide restructuring programs. These programs were in response to rapidly changing economic circumstances requiring the Company to rationalize its manufacturing and distribution operations to meet declining customer demand. The programs included the phasing out of manufacturing operations at the Company’s Guadalajara, Mexico facility by June 2002, transferring certain manufacturing activities performed at the Company’s Aizu, Japan and Seremban, Malaysia facilities to other Company-owned facilities or to third party contractors by June 2002 and December 2001, respectively, and the shutdown of the Company’s Hong Kong Distribution Center and the transfer of related functions to its Singapore Distribution Center. The charge included $36.4 million to cover employee separation costs associated with the termination of approximately 3,200 employees, $1.1 million of non-cash charges associated with the modification of stock options for certain terminated employees and $6.1 million for additional pension charges related to terminated employees. (The additional pension charge is reflected in the Company’s accrued pension liability in the consolidated balance sheet). As of December 31, 2002, all employees had been terminated under the June 2001 restructuring program. Manufacturing operations in Guadalajara ceased in June 2002 as originally planned; however, various administrative activities were not completed until 2003.

The planned discontinuation of manufacturing activities triggered an impairment analysis of the carrying value of the related assets and resulted in the Company recording asset impairment charges totaling $42.2 million. This charge included $31.6 million related to the Guadalajara manufacturing facility, $4.2 million related to the Aizu, Japan 4-inch wafer fabrication line and $2.2 million related to the Seremban assembly and test facility. The Company measured the amount of each asset impairment by comparing the carrying value of the respective assets to the related estimated fair value. The Company estimated future net cash flows for the period of continuing manufacturing activities (June 2002 for Guadalajara and Aizu, December 31, 2001 for Seremban) for each group of assets using price, volume, cost and salvage value assumptions that management considered to be reasonable in the circumstances. The impairment charges were recorded for the amount by which the carrying value of the respective assets exceeded their estimated fair value. The related assets have been sold to third parties at amounts that approximated their estimated fair values, were transferred to other manufacturing facilities at their previously existing carrying values or are currently held for sale. The charge also included $4.2 million for the write-off of assets that will no longer be used by the Company as a result of the June 2001 restructuring program. As previously mentioned, the Company sold the Guadalajara, Mexico facility in the third quarter of 2003.

The June 2001 charge also included $10.0 million to cover certain exit costs relating to facility closure and contract terminations including $2.8 million for expected facility clean up activities, $1.0 million for equipment disposal fees, $2.0 million for equipment purchase cancellations and $4.2 million for other contract cancellations. As discussed previously, the Company recorded an additional $1.0 million in exit costs and $0.6 in employee separation costs relating to the Guadalajara manufacturing facility during the second quarter of 2002 as a result of its reevaluation of remaining costs to be incurred with respect to the closure of that facility. As of April 2, 2004 the remaining liability relating to this restructuring program was $0.4 million of miscellaneous exit costs which are expected to be paid by May 2004.

March 2001

In March 2001, the Company recorded charges totaling $34.2 million for costs associated with its worldwide restructuring programs. The charges included $31.3 million to cover employee separation costs associated with the termination of 1,100 employees as well as $2.9 million for equipment write-offs that were charged directly against the related assets.

The employee separation costs reflected reductions in manufacturing, selling, general and administrative staffing levels in the U.S., Mexico, the Philippines and Malaysia as well as non-cash charges associated with the modification of stock options for certain terminated employees. All impacted employees had been terminated and the Company released the remaining $0.1 million reserve to income during the second quarter of 2002.

The March 2001 charge included property and equipment write downs of $2.9 million relating to assets at the previously mentioned locations that could not be utilized or transferred to other locations.

Also in March 2001, the Company recorded a $3.8 million charge to cover costs associated with the separation of one of the Company’s executive officers. In connection with the separation, the Company paid the former executive officer $1.9 million. In addition, the Company agreed to accelerate the vesting of the remaining stock options to purchase common stock and to allow such options to remain exercisable for the remainder of their ten-year term. The Company recorded a non-cash charge of $1.9 million related to modification of these options with an offsetting credit to additional paid-in capital.

Note 6: Balance Sheet Information

Balance sheet information is as follows (in millions):

	December 31, 2003	December 31, 2002	April 2, 2004 (unaudited)
Receivables, net:			
Accounts receivable	$ 134.3	$ 113.8	$ 151.8
Less: Allowance for doubtful accounts	(2.4)	(1.9)	(2.3)
	$ 131.9	$ 111.9	$ 149.5
Inventories, net:			
Raw materials	$ 15.2	$ 15.5	$ 19.0
Work in process	107.8	106.3	113.7
Finished goods	87.0	81.9	87.6
Total inventory	210.0	203.7	220.3
Less: Inventory reserves	(42.4)	(43.7)	(41.7)
	$ 167.6	$ 160.0	$ 178.6
Property, plant and equipment, net:			
Land	$ 12.8	$ 11.7	$ 12.9
Buildings	325.8	449.6	327.9
Machinery and equipment	874.0	793.3	878.8
Total property, plant and equipment	1,212.6	1,254.6	1,219.6
Less: Accumulated depreciation	(832.7)	(800.5)	(838.6)
	$ 379.9	$ 454.1	$ 381.0
Goodwill, net:			
Goodwill	$ 95.7	$ 95.7	$ 95.7
Less: Accumulated amortization	(18.4)	(18.4)	(18.4)
	$ 77.3	$ 77.3	$ 77.3
Intangible asset, net:			
Developed technology	$ —	$ 59.3	$ —
Less: Accumulated amortization	—	(32.6)	—
	$ —	$ 26.7	$ —
Accrued expenses:			
Accrued payroll	$ 29.2	$ 27.5	$ 38.3
Sales related reserves	17.1	14.1	15.5
Restructuring reserves	13.1	19.5	11.9
Other	29.4	38.8	36.1
	$ 88.8	$ 99.9	$ 101.8
Other comprehensive loss:			
Foreign currency translation adjustments	$ 1.7	$ (2.0)	$ 2.4
Additional minimum pension liability	—	(19.6)	—
Net unrealized losses and adjustments related to cash flow hedges	(5.3)	(12.1)	(4.1)
Unrealized losses on deferred compensation plan investments	(0.8)	(0.6)	(0.8)
	$ (4.4)	$ (34.3)	$ (2.5)

Depreciation expense for property, plant and equipment totaled $101.1 million, $115.2 million and $135.0 million for 2003, 2002 and 2001, respectively. Amortization expense related to the developed technology intangible asset totaled $5.9, $11.9, and $11.6 million in 2003, 2002 and 2001, respectively.

The activity related to the Company's allowance for doubtful accounts, inventory reserves, allowance for deferred tax assets and warranty reserves for 2001, 2002, and 2003 follows:

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions / Writeoffs	Balance at End of Period
Allowance for doubtful accounts					
Year ended December 31, 2001	$ 2.5	$ 0.5	$ —	$ 1.1	$ 1.9
Year ended December 31, 2002	$ 1.9	$ 0.3	$ —	$ 0.3	$ 1.9
Year ended December 31, 2003	$ 1.9	$ 0.5	$ —	$ —	$ 2.4
Inventory reserves					
Year ended December 31, 2001	$ 22.5	$ 50.9	$ —	$ 23.2	$ 50.2
Year ended December 31, 2002	$ 50.2	$ 12.1	$ —	$ 18.9	$ 43.4
Year ended December 31, 2003	$ 43.4	$ 13.0	$ —	$ 14.0	$ 42.4
Allowance for deferred tax assets					
Year ended December 31, 2001	$ —	$ 366.8	$ 83.8(1)	$ —	$ 450.6
Year ended December 31, 2002	$ 450.6	$ 1.0	$ 112.8(2)	$ —	$ 564.4
Year ended December 31, 2003	$ 564.4	$ —	$ 71.8	$ —	$ 636.2
Warranty reserves					
Year ended December 31, 2001	$ 3.5	$ 0.1	$ —	$ 0.6	$ 3.0
Year ended December 31, 2002	$ 3.0	$ 0.1	$ —	$ 0.4	$ 2.7
Year ended December 31, 2003	$ 2.7	$ —	$ (0.9)	$ 0.2	$ 1.6

(1) Represents the valuation allowance related to the 2001 portion of the net operating loss that was not recognized during the year.
(2) Represents the valuation allowance related to the 2002 portion of the net operating loss that was not recognized during the year.

The activity related to the Company's warranty reserves for the quarter ended April 4, 2003 and April 2, 2004 is as follows (in millions):

Balance as of December 31, 2003	$ 1.6
Provision	0.3
Usage	(0.2)
Reserve released	(0.2)
Balance as of April 2, 2004	$ 1.5
Balance as of December 31, 2002	$ 2.7
Usage	(0.3)
Balance as of April 4, 2003	$ 2.4

Note 7: Long-Term Debt

Long-term debt consists of the following (dollars in millions):

	December 31, 2003		December 31, 2002		April 2, 2004	
	Interest Rate	Balance	Interest Rate	Balance	Interest Rate	Balance
Senior Bank Facilities:						
Tranche A	— %	$ —	6.4375%	$ 6.6	— %	$ —
Tranche B	—	—	6.4375	209.9	—	—
Tranche C	—	—	6.4375	226.0	—	—
Tranche D	—	—	6.4375	134.1	—	—
Tranche E	4.4375	320.1	—	—	4.375	320.1
Revolver	—	—	6.4375	125.0	—	—
		320.1		701.6		320.1
First-Lien Senior Secured Notes due 2010, 12% interest payable semi-annually, net of debt discount of $5.3 and $8.4		191.6		—		124.7
Second-Lien Senior Secured Notes due 2008, 13% interest effective February 2003 payable semi-annually, net of debt discount of $4.6 and $7.4		292.6		291.4		190.4
12% Senior Subordinated Notes due 2009, interest payable semi-annually		260.0		260.0		260.0
10% Junior Subordinated Note to Motorola due 2011, interest compounded semi-annually, payable at maturity		139.9		126.9		143.4
2.3% Note payable to Japanese bank due 2010 interest payable semi-annually		24.3		23.3		23.0
Capital lease obligation		6.4		—		12.8
		1,234.9		1,403.2		1,074.4
Less: Current maturities		(6.6)		(9.3)		(10.5)
		$1,228.3		$1,393.9		$1,063.9

During the first quarter of 2004 the Company incurred $21.0 million of costs resulting from the redemption premium upon repayment of $70.0 million and $105.0 million outstanding principal of the first lien and second lien senior secured notes, respectively, and also wrote off $12.0 million of debt issuance costs due to the repayment.

April 2004 Offer to Repurchase Senior Subordinated Notes and Issuance of Zero Coupon Convertible Senior Subordinated Notes

On April 6, 2004, the Company commenced a cash tender offer for all of its outstanding 12% Senior Subordinated Notes due 2009. The total consideration offered for each $1,000 dollars of principal amount of notes tendered was $1,089.06, plus accrued interest, if any, to the repurchase date. The Company anticipates redeeming any remaining outstanding senior subordinated notes after the cash tender offer on August 1, 2004 at 106% of par value. In order to finance the cash tender offer, the Company issued $260.0 million of Zero Coupon Convertible Senior Subordinated Notes due 2024. The notes do not bear cash interest, nor does the principal amount accrete. The notes are fully and unconditionally guaranteed on an unsecured senior subordinated basis by certain existing and future subsidiaries of the Company.

Holders may convert the notes into shares of the Company’s common stock at a conversion rate of 101.8849 shares per $1,000 principal amount of notes before April 15, 2024 under the following circumstances: (1) during any fiscal quarter commencing after June 30, 2004 through maturity if the closing sale price of the Company’s common stock exceeds 120% of the conversion price for at least 20 trading days in the 30 consecutive trading-day period ending on the last trading day of the preceding fiscal quarter; (2) during the five business-day period after any five consecutive trading-day period in which the trading price per $1,000 principal amount of notes for each day of that period was less than 98% of the product of the closing sale price of the Company’s common stock and the conversion rate; (3) if the notes have been called for redemption; (4) after the date, if ever, on which either Moody’s Investors Service, Inc. or Standard & Poor’s Rating Services assigns an initial credit rating to the notes, during any period in which the credit rating assigned to the notes by either Moody’s or S&P is three or more rating subcategories below the initial credit rating assigned by Moody’s or S&P, as the case may be, or any period in which the notes are no longer rated by either Moody’s or S&P, as the case may be, if such ratings agency had previously rated the notes; or (5) upon the occurrence of certain corporate events. Beginning April 15, 2010, we may redeem any of the notes at specified redemption prices. Holders may require us to repurchase the notes for cash on

April 15 of 2010, 2014 and 2019. Upon the occurrence of certain corporate events, each holder may require the Company to purchase all or a portion of such holder's notes for cash at a price equal to the principal amount of such notes. The notes are subordinated in right of payment to all of our senior indebtedness.

The Company received net proceeds of approximately $251.2 million from the sale of the notes (and would receive approximately $280.3 million if the initial purchasers' right to purchase up to an additional $30.0 million principal amount of note is exercised in full), after deducting discounts and commissions and estimated offering expenses.

April 2004 Amendment to Senior Bank Facilities and Loan Repricing

On April 22, 2004 the Company refinanced $320.5 million of loans under its senior bank facilities. The Company replaced its tranche E term loan facility with a new tranche F term loan facility, which bears interest at a rate that is 0.50% per annum lower than the rate borne by the tranche E term loan facility. Principal repayments of the new tranche F term loan facility will be due throughout 2008 and 2009, provided that, if the Company has not redeemed or repurchased its second lien senior secured notes in full prior to November 14, 2007, the tranche F term loan facility will mature on November 15, 2007. Additionally, in connection with this repricing, the senior bank facilities were amended to, among other things:

- permit the Company to use for general corporate purposes up to $30 million of the proceeds from the sale of East Greenwich manufacturing facility;
- subject to certain restrictions, permit the Company to apply the net proceeds of certain equity or debt issuances to be used to purchase, redeem or retire any of the first lien senior secured notes, second lien senior secured notes or junior subordinated note;
- amend the definition of consolidated EBITDA in the credit agreement relating to the senior credit facilities to permit the add back of premiums associated with the redemption, repayment or repurchase of securities; and
- replace the existing revolving credit facility with a new facility that bears interest at a rate that is 0.50% per annum lower than the rate borne by the existing revolving facility.

Senior Bank Facilities

Borrowings under the senior bank facilities, which bear interest at rates selected by the Company based on either LIBOR or an alternative base rate, as defined, plus an interest rate spread, amortize within three to five years. As of December 31, 2003, after consideration of the amendments to the credit agreement described below, the senior bank facilities contained a $25.0 million revolving line of credit. Letters of credit totaling $12.6 million were outstanding against the line of credit at December 31, 2003 leaving $12.4 million of availability at that date. As described in Note 11, the Company hedges a portion of the interest rate risk associated with the senior bank facilities.

At June 29, 2001, the Company was not in compliance with the interest expense coverage and leverage ratio requirements under its senior bank facilities. On August 13, 2001, the Company received a waiver in respect to such non-compliance at June 29, 2001 and in respect of any future non-compliance with such covenants through December 31, 2002. In connection with such waiver, the Company amended its senior bank facilities to, among other things, reduce interest expense coverage and increase leverage ratio requirements through December 31, 2005, add minimum cash and EBITDA level covenants through December 31, 2002, require the Company to obtain $100 million through an equity investment from TPG increase the required interest rate spreads applicable to outstanding borrowings ("supplemental interest"), and, revise certain mandatory prepayment provisions contained in the original agreement.

In connection with the issuance of the 12% second-lien senior secured notes due 2008 (the “Second-Lien Notes”) described below, the Company amended its senior bank facilities on April 17, 2002 to, among other things, permit the issuance of the Second-Lien Notes, eliminate interest expense coverage and leverage ratio requirements through December 31, 2003 and to reduce the minimum interest expense coverage ratio requirement and increase the maximum leverage ratio requirements for the period from January 1, 2004 through June 30, 2006, extend the minimum cash and EBITDA level covenants through December 31, 2003, permit the redemption of up to 35% of the Second-Lien Notes with net proceeds of any equity offerings on or prior to May 15, 2005, allow certain asset sales and to permit borrowings of up to $100.0 million by or for the benefit of Leshan-Phoenix Semiconductor Company Limited (“Leshan”) so long as the related proceeds were used to prepay loans under the senior bank facilities.

In connection with the issuance of the First-Lien Notes described below, the Company amended its senior bank facilities effective as of February 14, 2003 to, among other things, permit the issuance of the First-Lien Notes, eliminate the interest expense and leverage coverage ratio requirements, reduce the minimum EBITDA level covenant (as defined in the credit agreement) to $140.0 million for any four consecutive fiscal quarters until the final maturity of the senior bank facilities, reduce permitted annual capital expenditures to $100.0 million (subject to increases in certain circumstances), permit the redemption of up to 35% of the First-Lien Notes with net proceeds of any equity offerings on or prior to March 15, 2006 and to convert $62.5 million of the amounts outstanding under the revolving credit facility to a new Tranche R term loan.

In September 2003, the Company amended its senior bank facilities to, among other things:

- Provide the Company with additional Tranche D term loans under its senior bank facilities aggregating $100 million, the entire amount of which was borrowed simultaneously with the completion of the equity offering described below;
- Permit the Company to apply the net proceeds from equity offerings by it or any of its subsidiaries (including the equity offering described in Note 2) and borrowings under the additional Tranche D term loans to prepay scheduled principal installments of all term loan borrowings outstanding under its senior bank facilities in chronological order;
- Reduce from 75% to 50% the percentage of net proceeds from future equity offerings by the Company or any of its subsidiaries that is required to be applied to prepay term loan borrowings outstanding under its senior bank facilities; and,
- Provide the Company with a new $25 million revolving facility that will mature on August 4, 2006, provide for the issuance of letters of credit in currencies other than U.S. dollars that are to be specified and, in all other respects, have terms substantially similar to those of its existing revolving facility.

The proceeds of the borrowing under the additional Tranche D term loans (which were issued at a discount of $0.5 million) were used to prepay senior credit facility borrowings as described above. Excluding this discount, costs incurred in connection with this debt refinancing totaled $3.8 million, of which $0.4 million was paid to third parties. Such third-party costs were expensed as incurred and included in loss on debt prepayment in the Company’s consolidated statement of operations for the year ended December 31, 2003. The remaining $3.4 million of debt refinancing costs were capitalized and are being amortized using the effective interest method.

On September 23, 2003 ON Semiconductor completed a public offering of common stock registered pursuant to its shelf registration statement originally filed with the Securities and Exchange Commission on April 24, 2002 (as amended on March 14, 2003). In connection with this offering, ON Semiconductor issued approximately 37.0 million shares (including approximately 2.2 million shares issued in connection with the underwriters' exercise of their option to cover over-allotments) at a price of $4.50 per share. The net proceeds from this offering were $156.8 million after deducting the underwriting discount of $8.2 million ($0.225 per share) and estimated offering expenses of $1.4 million (including $0.4 million that were unpaid as of December 31, 2003). ON Semiconductor contributed these proceeds to the Company, which were used to prepay $152.7 million of its senior bank facilities and to cover $3.8 million of costs associated with the amendment to its senior bank facilities. In connection with this prepayment, the Company wrote off $2.5 million of debt issuance costs.

In November 2003, the Company refinanced $368.5 million of term loans under its senior bank facilities. The Company replaced its Tranche B, Tranche C and Tranche D term loan facilities under its senior bank facilities with a single new Tranche E term loan facility with terms, other than the interest rate, that are identical to those of the Tranche D term loan facility. The Company also reduced the interest rate on its term loans by 0.75% per annum. Costs incurred in connection with this refinancing totaled $1.0 million, of which $0.2 million which were expensed as incurred while the remaining $0.8 million of such costs were capitalized and are being amortized using the effective interest method

In December 2003, the Company refinanced approximately $48 million of the term loans under its senior bank facilities with the proceeds from the repayment of a note receivable from an affiliate.

The Company was in compliance with the various covenants and other requirements contained in its senior bank facilities, as amended, through December 31, 2003. Management believes that the Company will be able to comply with the various covenants and other requirements contained in its senior bank facilities, as amended, through December 31, 2004.

First-Lien Notes

On March 3, 2003, ON Semiconductor and SCI LLC, (collectively, the "Issuers") issued $200.0 million principal amount of First-Lien Notes in a private offering that was exempt from the registration requirements of the federal securities laws. The First-Lien Notes, which are callable after four years, were issued at 95.467% of par value and generated net proceeds of approximately $180.9 million after taking into consideration the discount and the payment of issuance costs. The net proceeds were used to prepay a portion of the amounts outstanding under the Company's senior bank facilities, including $25.0 million relating to the Company's revolving credit facility. In connection with the prepayment, the Company wrote off $3.5 million of debt issuance costs in the first quarter of 2003. Interest accrues on the First-Lien Notes at a rate of 12% per annum. Interest on First-Lien Notes is payable semi-annually in March and September. The First-Lien Notes will mature on March 15, 2010.

The First-Lien Notes are jointly and severally, fully and unconditionally guaranteed on a senior basis by the Company's domestic restricted subsidiaries. In addition, the First-Lien Notes and related guarantees are secured on a first-priority basis by the assets that secure the senior bank facilities and they rank equal in right of payment with all of the Company's and the guarantors' existing and future senior indebtedness and senior to the Company's and the guarantors' existing and future senior subordinated and subordinated indebtedness and effectively junior to all of the liabilities of the Company's subsidiaries that have not guaranteed such notes.

The Issuers filed an exchange offer registration statement on relating to the First-Lien Notes pursuant to a registration rights agreement. The registration statement was declared effective by the Securities and Exchange Commission on May 8, 2003.

Second-Lien Notes

On May 6, 2002, the Issuers issued $300.0 million principal amount of Second-Lien Notes in a private offering that was exempt from the registration requirements of the federal securities laws. The Second-Lien Notes, which are callable after four years, were issued at 96.902% of par value and generated net proceeds of $278.6 million after such discount and the payment of issuance costs. The net proceeds were used to prepay a portion of the amounts outstanding under the Company's senior bank facilities. In connection with this prepayment, the Company wrote off $6.5 million of debt issuance costs in the second quarter of 2002. Because the amount outstanding under the senior bank facilities was reduced below $750.0 million, supplemental interest charges under the credit agreement relating to the senior bank facilities were reduced from 3.0% to 1.0%. The Company exercised its option to terminate the supplemental interest charges by paying the entire accrued balance of supplemental interest charges during the first quarter of 2003. Interest accrues on the Second-Lien Notes at the rate of 12% per annum until February 6, 2003, when the related annual interest increased to 13%. Interest on the Second-Lien Notes is payable semi-annually in May and November in cash. The Second-Lien Notes will mature on May 15, 2008.

The Second-Lien Notes are jointly and severally, fully and unconditionally guaranteed on a senior basis by the Company's domestic restricted subsidiaries. In addition, the Second-Lien Notes and the related guarantees are secured on a second-priority basis by the assets that secure the senior bank facilities and they rank equal in right of payment with all of the Company's and the guarantors' existing and future senior indebtedness and senior to the Company's and the guarantors' existing and future senior subordinated and subordinated indebtedness and effectively junior to all of the liabilities of the Company's subsidiaries that have not guaranteed such notes.

The Issuers filed an exchange offer registration statement on October 1, 2002 relating to the Second-Lien Notes pursuant to a registration rights agreement. The registration statement was declared effective by the Securities and Exchange Commission on January 27, 2003.

Senior Subordinated Notes

In connection with the Recapitalization described in Note 1, the Company issued $400.0 million principal amount of Senior Subordinated Notes due 2009. Except as described below, the Senior Subordinated Notes may not be redeemed prior to August 1, 2004. Redemption prices range from 106% of the principal amount if redeemed in 2004 to 100% if redeemed in 2008 or thereafter. The Company was able to redeem up to 35% of the aggregate principal amount of the Senior Subordinated Notes prior to August 4, 2002 with the proceeds of a public equity offering at a redemption price of 112% of the amount redeemed. On May 3, 2000, the Company completed its initial public offering (IPO) of its common stock and used a portion of the proceeds to redeem $140.0 million of the Senior Subordinated Notes.

Japanese Loan

In 2000, the Company's Japanese subsidiary entered into a yen-denominated note agreement with a Japanese bank to finance the expansion of its manufacturing facilities. The loan, which had a balance of $24.3 million at December 31, 2003 (based on the yen-to-dollar exchange rate in effect at that date), bears interest at an annual rate of 2.25% and requires semi-annual principal and interest payments through September 2010 of approximately $1.9 million (based on the yen-to-dollar exchange rate at December 31, 2003.) The note is unsecured, however, the bank has rights under the agreement to obtain collateral in certain circumstances.

Annual maturities relating to the Company's long-term debt as of April 2, 2004 are as follows (in millions):

	Actual Maturities
2004	$ 7.5
2005	8.2
2006	114.7
2007	215.5
2008	194.0
Thereafter	534.5
Total	$ 1,074.4

Annual maturities relating to the Company's long-term debt as of December 31, 2003 are as follows (in millions):

	Actual Maturities
2004	$ 6.6
2005	6.6
2006	113.7
2007	215.5
2008	296.5
Thereafter	596.0
Total	$ 1,234.9

Note 8: Note Receivable from Affiliates

In connection with the Recapitalization, the Company loaned to Leshan, an affiliated company, $58.3 million to refinance third-party non-recourse loans. During 2001, the Company loaned Leshan an additional $5.0 million to finance facility expansion. During 2003, Leshan repaid the $63.3 million note receivable.

Note 9: Income Taxes

Geographic sources of loss before income taxes, minority interests and cumulative effect of accounting change are as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
United States	$ (190.0)	$ (233.2)	$ (193.8)
Foreign	45.1	95.6	(184.7)
	$ (144.9)	$ (137.6)	$ (378.5)

The provision for income taxes is as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
Current			
Federal	$ 0.2	$ —	$ (19.9)
State and local	(0.1)	0.1	0.5
Foreign	6.1	2.3	6.6
	6.2	2.4	(12.8)
Deferred			
Federal	—	—	315.8
State and local	—	—	39.6
Foreign	0.6	6.4	(0.3)
	0.6	6.4	355.1
	$ 6.8	$ 8.8	$ 342.3

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,		
	2003	2002	2001
U.S. federal statutory rate	(35.0)%	(35.0)%	(35.0)%
Increase (decrease) resulting from:			
State and local taxes, net of federal tax benefit	(8.4)	(8.7)	(3.4)
Foreign withholding taxes	0.4	1.2	1.5
Foreign rate differential	(9.8)	(22.5)	11.2
Change in valuation allowance	60.2	69.3	116.0
Other	(2.7)	2.1	0.1
	4.7%	6.4%	90.4%

Deferred tax assets are as follows (in millions):

	Year Ended December 31,	
	2003	2002
Tax-deductible goodwill	$ 220.7	$ 235.2
Reserves and accruals	23.0	24.3
Inventories	13.7	15.1
Property, plant and equipment	26.0	16.2
Net operating loss and tax credit carryforwards	348.9	259.6
Other	7.9	18.2
Gross deferred tax assets	640.2	568.6
Valuation allowance	(636.2)	(564.4)
Net deferred tax asset	$ 4.0	$ 4.2

A valuation allowance has been recorded against the Company's deferred tax assets, with the exception of deferred tax assets at certain foreign subsidiaries, as management believes it is more likely than not that these assets will not be realized.

As of December 31, 2003, the Company's federal, state, and foreign net operating loss carryforwards were $787.8 million, $854.5 million, and $22.9 million, respectively. If not utilized, these net operating losses will expire in varying amounts from 2006 through 2024. As a result of the recent sales of ON Semiconductor's common stock as discussed in Note 2 of the consolidated financial statements, the amount of federal net operating loss carryforwards that may be used in any one year will be limited.

Income taxes have not been provided on the undistributed earnings of certain foreign subsidiaries (approximately $103.1 million at December 31, 2003) over which the Company has sufficient influence to control the distribution of such earnings and has determined that such earnings have been reinvested indefinitely. These earnings could become subject to federal income tax if they are remitted as dividends, if foreign earnings are loaned to any of the Company's domestic subsidiaries, or if the Company sells its investment in such subsidiaries. The Company estimates that repatriation of these foreign earnings would generate additional foreign withholding taxes of $13.0 million.

Other assets include $6.0 million and $3.0 million of French income tax refunds receivable and $9.7 million and $10.4 million of Malaysian income tax refunds receivable at December 31, 2003 and 2002, respectively.

The Company files income tax returns with the taxing authorities in the various jurisdictions in which it operates. Certain of these income tax returns remain subject to audit by the local tax authorities. Management believes that the resolution of any issues raised by such taxing authorities, including application of any related determinations to subsequent open years, will not have an adverse effect on the Company's financial condition or results of operations.

Note 10: Employee Benefit Plans

Defined Benefit Plans

Benefits under all of the Company's plans are valued utilizing the projected unit credit cost method. The Company's policy is to fund its defined benefit plans in accordance with the requirements and regulations of the Internal Revenue Code. The Company expects to contribute $12.4 million in 2004 based on current assessment of the economic environment and projected benefit payments. The Company's measurement date for determining its defined benefit obligations for all plans is December 31 of each year.

In connection with the Recapitalization, the Company established the ON Semiconductor Pension Plan (the "Plan") that, after one year of service, covered most U.S. employees who were also formerly employees of Motorola. The Plan's benefit formula was dependent upon employee's earnings and years of service. In November 1999, the Plan was amended so that benefit accruals under the Plan will be discontinued effective December 31, 2004 for those employees whose combined age and years of service (in complete years) equaled or exceeded 65 at August 4, 1999 (the "Grandfathered Employees"). Benefit accruals under the plan for all other employees were discontinued effective December 31, 2000. Upon termination or retirement, employees may elect to receive their benefits in the form of either an annuity contract or a lump-sum distribution. In 2000, the ON Semiconductor Grandfathered Pension Plan (the "Grandfathered Plan") was established and the assets and accumulated benefits related to the Grandfathered Employees were transferred to the Grandfathered Plan. Effective April 15, 2001, the Company terminated the Plan in a standard termination, and substantially all accrued benefits were distributed to participants by December 31, 2001.

The assets of the Company's domestic plans were invested in fixed income securities at December 31, 2003 and 2002. This asset allocation is based on the anticipated timing of benefit payments, historical returns on similar assets and the current economic environment.

In regards to the Grandfathered Plan, the Company reevaluated its current assumptions in light of the actual returns experienced, current annuity rates and the expected discontinuation of benefits as of December 31, 2004 with the subsequent payment of benefits in 2005. The discount rate used to determine the pension obligation at December 31, 2002 and to determine future expense was lowered to 5.0% from 7.4% in the previous year. In addition, the expected return on plan assets used to determine future expense was lowered to 2.5%, reflecting the Company's change in investment policy regarding the assets of the Grandfathered Plan. Upon the termination of the Grandfathered Plan, the Company is obligated to ensure that the plan has assets sufficient to pay accrued benefits.

Certain of the Company's foreign subsidiaries provide retirement plans for substantially all of their employees. Such plans conform to local practice in terms of providing minimum benefits mandated by law, collective agreements or customary practice.

As described in Note 4 “Accounting Changes,” the Company changed its method of accounting for unrecognized actuarial gains or losses to its defined benefit pension obligations. Historically, the Company amortized its net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. The Company will no longer defer actuarial gains or losses but will recognize such gains and losses during the fourth quarter of each year, which is the period the Company’s annual pension plan actuarial valuations are prepared. Management believes that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred.

The following is a summary of the status of the Company’s various pension plans and the net periodic pension cost (dollars in millions):

	Year Ended December 31,								
	2003			2002			2001		
	U.S. Pension Plans	Foreign Pension Plans	Total	U.S. Pension Plans	Foreign Pension Plans	Total	U.S. Pension Plans	Foreign Pension Plans	Total
Service cost	$ 1.7	$ 1.3	$ 3.0	$ 1.8	$ 1.3	$ 3.1	$ 2.1	$ 2.2	$ 4.3
Interest cost	2.4	0.9	3.3	3.0	0.8	3.8	2.4	1.6	4.0
Expected return on plan assets	(0.5)	(0.3)	(0.8)	(1.2)	(0.3)	(1.5)	(1.4)	(1.0)	(2.4)
Amortization of prior service cost	0.1	0.3	0.4	0.1	0.3	0.4	0.2	0.4	0.6
Settlement losses	—	—	—	0.4	—	0.4	9.9	2.3	12.2
Curtailment gain	—	—	—	—	(0.3)	(0.3)	—	—	—
Cumulative effect of accounting change	20.0	1.5	21.5	—	—	—	—	—	—
Other losses	(0.9)	—	(0.9)	4.9	—	4.9	0.3	—	0.3
Total net periodic pension cost	$ 22.8	$ 3.7	$ 26.5	$ 9.0	$ 1.8	$ 10.8	$ 13.5	$ 5.5	$ 19.0
Weighted average assumption									
Discount rate	5.00%	4.40%		7.40%	5.08%		6.80%	5.76%	
Expected return on plan assets	2.50%	5.73%		8.50%	3.17%		8.50%	7.46%	
Rate of compensation increase	3.00%	3.17%		3.00%	3.77%		3.00%	3.77%	

	December 31,					
	2003			2002		
	U.S. Pension Plans	Foreign Pension Plans	Total	U.S. Pension Plans	Foreign Pension Plans	Total
Change in projected benefit obligation						
Projected benefit obligation at the beginning of the year	$ 46.8	$ 19.3	$ 66.1	$ 41.5	$ 22.3	$ 63.8
Service cost	1.7	1.3	3.0	1.8	1.3	3.1
Interest cost	2.4	0.9	3.3	3.0	0.8	3.8
Net actuarial (gain) or loss	(1.1)	(0.1)	(1.2)	5.3	1.2	6.5
Cutailment gain	—	—	—	—	(0.3)	(0.3)
Benefits paid	(10.3)	(0.5)	(10.8)	(4.8)	(6.7)	(11.5)
Translation loss	—	1.7	1.7	—	0.7	0.7
Projected benefit obligation at the end of the year	$ 39.5	$ 22.6	$ 62.1	$ 46.8	$ 19.3	$ 66.1
Accumulated benefit obligation at the end of the year	$ 38.8	$ 18.7	$ 57.5	$ 45.7	$ 16.0	$ 61.7
Change in plan assets						
Fair value of plan assets at the beginning of the year	$ 17.2	$ 4.0	$ 21.2	$ 10.1	$ 9.1	$ 19.2
Actual return on plan assets	0.4	0.3	0.7	(1.1)	0.3	(0.8)
Benefits paid	(10.3)	(0.5)	(10.8)	(4.8)	(6.7)	(11.5)
Employer contributions	6.4	1.6	8.0	13.0	1.3	14.3
Translation gain	—	0.4	0.4	—	—	—
Fair value of plan assets at the end of the year	$ 13.7	$ 5.8	$ 19.5	$ 17.2	$ 4.0	$ 21.2
Net amount recognized						
Funded status	$ (25.8)	$ (16.8)	$ (42.6)	$ (29.6)	$ (15.3)	$ (44.9)
Unrecognized prior service cost	0.7	1.8	2.5	0.9	1.9	2.8
Unrecognized net actuarial loss	—	—	—	20.0	1.5	21.5
Net amount recognized	$ (25.1)	$ (15.0)	$ (40.1)	$ (8.7)	$ (11.9)	$ (20.6)
Amounts recognized in the statement of financial position						
Accrued benefit liability	$ (10.9)	$ (1.5)	$ (12.4)	$ (6.4)	$ (2.0)	$ (8.4)
Other long-term liabilities	(14.2)	(13.6)	(27.8)	(22.0)	(11.8)	(33.8)
Intangible asset	—	0.1	0.1	0.8	1.2	2.0
Accumulated other comprehensive income	—	—	—	18.9	0.7	19.6
Net amount recognized	$ (25.1)	$ (15.0)	$ (40.1)	$ (8.7)	$ (11.9)	$ (20.6)
Weighted average assumptions at the end of the year						
Discount rate	5.16%	4.29%		5.00%	4.40%	
Rate of compensation increases	3.00%	3.18%		3.00%	3.17%	

The projected benefit obligation, accumulated benefit obligation and fair value of plan assets for the pension plans with accumulated benefit obligations in excess of plan assets were $59.4 million, $56.5 million, and $17.7 million, respectively as of December 31, 2003 and $63.8 million, $56.8 million and $19.6 million, respectively as of December 31, 2002.

The Company recognizes a minimum liability in its financial statements for its underfunded pension plans. The total accrued pension liability of $40.2 million and $42.2 million at December 31, 2003 and 2002, respectively, includes an additional minimum liability of $0.1 million and $21.6 million, respectively. The additional minimum liability was offset by a $0.1 million intangible asset at December 31, 2003 compared with a $2.0 million intangible asset and a $19.6 increase to stockholders' deficit at December 31, 2002. The decrease in the additional minimum liability relates to the previously described accounting change.

As of April 2, 2004 and December 31, 2003, the total accrued pension liability was $39.4 million and $40.2 million, respectively. The components of our net periodic pension expense for the three months ended April 2, 2004 and April 4, 2003 are as follows (in millions):

	Quarter Ended April 2, 2004			Quarter Ended April 4, 2003		
	U.S. Pension Plan	Foreign Pension Plans	Total	U.S. Pension Plans	Foreign Pension Plans	Total
Service cost	$ 0.6	$ 0.3	$ 0.9	$ 0.4	$ 0.3	$ 0.8
Interest cost	0.6	0.2	0.8	0.6	0.2	0.8
Expected return on plan assets	(0.1)	(0.1)	(0.2)	(0.1)	(0.1)	(0.2)
Amortization of prior service cost	—	0.1	0.1	—	0.1	0.1
Cumulative effect of accounting change	—	—	—	20.0	1.5	21.5
Total net periodic pension cost	$ 1.1	$ 0.5	$ 1.6	$ 20.9	$ 2.1	$ 23.0

Defined Contribution Plans

The Company has a deferred compensation plan ("the Savings Plan") for all eligible U.S. employees established under the provisions of Section 401(k) of the Internal Revenue Code. Eligible employees may contribute a percentage of their salary subject to certain limitations. Effective January 1, 2000, the Company began a matching contribution of 100% of the first 4% of employee contributions, and 50% of the next 4% of employee contributions, as defined in the Savings Plan.

The Company recognized $7.1 million of expense relating to matching contributions in 2000. Effective March 1, 2001 the Company amended the Savings Plan to make the matching contribution discretionary. A discretionary matching contribution was offered through April 2001, resulting in $2.2 million of related expense in 2001. Effective January 1, 2002, the Company reinstated a discretionary matching contribution of 100% of the first 3% of employee contributions and, if certain financial goals are achieved, an additional 50% of the next 6% of employee contributions. The Company recognized $3.3 million and $4.0 million of expense relating to matching contributions in 2003 and 2002, respectively.

Certain foreign subsidiaries have defined contribution plans in which eligible employees participate. The Company recognized compensation expense of $0.4 million, $0.6 million and $1.0 million relating to these plans for the years ended 2003, 2002 and 2001, respectively.

Note 11: Financial Instruments

Foreign Currencies

As a multinational business, the Company's transactions are denominated in a variety of currencies. When appropriate, the Company uses forward foreign currency contracts to reduce its overall exposure to the effects of currency fluctuations on its results of operations and cash flows. The Company's policy prohibits trading in currencies for which there are no underlying exposures, or entering into trades for any currency to intentionally increase the underlying exposure.

Prior to the fourth quarter of 2003, the Company's foreign subsidiaries provided forecasts of their foreign currency exposures. The Company then aggregated the forecasted amounts and entered into foreign currency contracts in order to create an offset to the underlying exposures. Losses or gains on the underlying cash flows or investments offset gains or losses on the financial instruments. Beginning in the fourth quarter of 2003, the Company modified its foreign exchange management program so that aggregate foreign currency exposures are compared against bank forecasted foreign currency exchange rates for the next three months. If the forecasted movements are unfavorable, the Company may decide to hedge all or a portion of the applicable foreign currency exposure. The Company primarily hedges existing assets and liabilities and cash flows associated with transactions currently on its balance sheet.

At December 31, 2003 and 2002, the Company had net outstanding foreign exchange contracts with notional amounts of $3.0 million and $19.5 million, respectively. Such contracts were obtained through financial institutions and were scheduled to mature within three months. Management believes that these financial instruments should not subject the Company to increased risks from foreign exchange movements because gains and losses on these contracts, should offset losses and gains on the assets, liabilities and transactions being hedged. The following schedule shows the Company's net foreign exchange positions in U.S. dollars as of December 31, 2003 and 2002 (in millions):

	December 31,	
	2003 Buy (Sell)	2002 Buy (Sell)
Japanese Yen	$ —	$ (16.3)
Czech Koruna	—	2.7
Euro	2.6	(11.4)
Philippine Peso	—	1.8
Mexican Peso	—	0.3
British Pound	—	5.0
Singapore Dollar	—	1.8
Swedish Krona	—	1.5
Taiwan Dollar	—	(4.9)
Slovakian Koruna	0.4	—
	$ 3.0	$ (19.5)

The Company is exposed to credit-related losses if counterparties to its foreign exchange contracts fail to perform their obligations. At December 31, 2003, the counterparties on the Company's foreign exchange contracts are two highly rated financial institutions and no credit-related losses are anticipated. Amounts payable or receivable under the contracts are included in other current assets or accrued expenses in the accompanying consolidated balance sheet. For 2003, 2002 and 2001, aggregate foreign currency transaction gains total $4.7 million, $0.1 million and $1.2 million, respectively.

Interest Rate Agreements

At December 31, 2003, the Company had an interest rate swap with a notional amount of $100.0 million. The interest rate swap is a floating-to-fixed rate agreement based on LIBOR with quarterly interest rate resets. The $100.0 million swap has a fixed rate of 5.9% and expires in December 2004. During 2003, the Company also had a $55.0 million swap with a fixed rate of 6.8% that expired in September 2003. The notional amounts are used solely as the basis for which the payment streams are calculated and exchanged. The notional amount is not a measure of the exposure to the Company through the use of the swaps. Amounts to be paid or received under each contract were recorded in either other current assets or accrued expenses in the accompanying consolidated balance sheet and as an adjustment to interest expense.

Other

At December 31, 2003, the Company had no outstanding commodity derivatives, currency swaps or options relating to either its debt instruments or investments. The Company does not hedge the value of its equity investments in its subsidiaries or affiliated companies.

Note 12: Fair Value of Financial Instruments

The Company uses the following methods to estimate the fair values of its financial instruments:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term maturities of such instruments.

Notes Receivable from Affiliate

Due to the related party nature of the notes receivable from affiliate, it was not practicable to estimate their fair values due to the inability to obtain quoted market prices or determine current market rates for similar instruments. At December 31, 2002 the carrying value of the notes receivable from affiliate was $63.3 million. The affiliate repaid the notes during 2003.

Long-term Debt

The fair values of the Company's long-term borrowings are determined by obtaining quoted market prices if available or market prices for comparable debt instruments.

Foreign Currency Exchange Contracts

Forward foreign exchange contracts are valued at current foreign exchange rates for contracts with similar maturities.

Interest Rate Agreements

The fair values of the Company's interest rate swaps represent the amounts at which they could be settled and are estimated by obtaining quotes from brokers.

The carrying amounts and fair values of the Company's financial instruments at December 31, 2003 and 2002 are as follows (in millions):

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	(1,228.3)	(1,363.0)	(1,393.9)	(999.9)
Foreign currency exchange contracts	0.9	0.9	(0.3)	(0.3)
Interest rate agreements	(4.6)	(4.6)	(10.5)	(10.5)

Note 13: Stock Options

Certain employees of the Company participate in the ON Semiconductor 1999 Founders Stock Option Plan ("the 1999 Plan"), which is an incentive plan for key employees, directors and consultants. A total of 11.6 million shares of ON Semiconductor's common stock have been reserved for issuance under the 1999 Plan. The 1999 Plan is administered by the ON Semiconductor Board of Directors or a committee thereof, which is authorized to, among other things, select the key employees, directors and consultants who will receive grants and determine the exercise prices and vesting schedules of the options. Prior to the existence of a public market for ON Semiconductor's common stock, ON Semiconductor's Board of Directors determined the fair market value.

Company employees also participate in ON Semiconductor's 2000 Stock Incentive Plan ("the 2000 Plan") which provides key employees, directors and consultants with various equity-based incentives as described in the plan document. During 2001, ON Semiconductor stockholders voted to amend the 2000 Plan to increase the number of shares of its common stock issuable thereunder by 3.0 million (for an aggregate of 13.0 million). The 2000 Plan is administered by the ON Semiconductor Board of Directors or a committee thereof, which is authorized to determine, among other things, the key employees, directors or consultants who will receive awards under the plan, the amount and type of award, exercise prices or performance criteria, if applicable, and vesting schedules.

Generally, the options granted under both plans vest over a period of four years. Under the 1999 Plan, all outstanding options and under the 2000 Plan certain outstanding options vest automatically upon a change of control, as defined, provided the option holder is employed by the Company on the date of the change in control. Under the 2000 Plan, certain other outstanding options vest upon a change of control if the Board of Directors of ON Semiconductor, at its discretion, provides for acceleration of the vesting of said options. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

There was an aggregate of 10.4 million, 6.3 million and 4.7 million shares of common stock available for grant under the 1999 Plan and the 2000 Plan at December 31, 2003, 2002 and 2001, respectively.

Additional information with respect to the activity of the stock option plans as it relates to the employees of the Company is as follows (in millions, except per share data):

	2003		2002		2001	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	22.9	$ 4.55	18.2	$ 5.87	13.8	$ 6.49
Grants	6.0	2.16	8.0	3.00	8.4	5.26
Exercises	(1.9)	1.79	(0.7)	1.50	(0.5)	1.50
Cancellations	(4.4)	4.63	(2.6)	9.99	(3.5)	7.42
Outstanding at end of year	22.6	$ 4.13	22.9	$ 4.55	18.2	$ 5.87
Exercisable at end of year	10.0	$ 5.13	7.9	$ 4.95	4.4	$ 4.74
Weighted average fair value of options granted during the period		$ 1.50		$ 1.83		$ 3.25

The following tables summarize options outstanding and options exercisable at December 31, 2003 (shares in millions):

	Outstanding Options		
	Number Shares	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price
Range of Exercise Prices			
$ 1.03-$ 1.50	8.9	7.52	$ 1.38
$ 1.65-$ 2.71	2.5	8.87	1.91
$ 3.06-$ 4.96	5.4	8.07	3.50
$ 5.19-$ 9.03	4.2	7.88	6.21
$10.88-$21.38	1.6	6.41	15.77
Totals	22.6		4.13

	Exercisable Options		
	Number Shares	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price
Range of Exercise Prices			
$1.03-$1.50	4.3	5.87	$ 1.49
$1.65-$2.71	0.4	8.86	1.91
$3.06-$4.96	2.0	7.94	3.69
$5.19-$9.03	1.6	7.15	6.65
$10.88-$21.38	1.7	6.38	15.80
Totals	10.0		5.13

These options will expire if not exercised at specific dates through December 2013.

In 2002, the Company recorded charges totaling $4.1 million related to the modification of option terms for employees terminated under various restructuring programs as well as the separation of an executive officer. These charges are recorded in restructuring, asset impairments and other, net in the consolidated statement of operations with an offsetting credit to additional paid-in capital. In 2002, the Company also recorded $0.4 million of compensation expense related to stock options issued to consultants and other stock option modifications to certain employees.

In 2001, ON Semiconductor, on behalf of the Company, issued warrants to purchase 1,250,000 shares of common stock to consultants for services rendered during 2001. These warrants, which have an exercise price of $1.90 per share, were recorded at their estimated fair value of $1.3 million as a charge to general and administrative expense and with an offsetting credit to contributed capital. These warrants vested at the date of grant and expire in October 2005.

During 2000, an employee of the Company was granted 80,000 stock appreciation rights under the 2000 Plan with a reference price of $16.00.

The Company's employees participate in the 2000 Employee Stock Purchase Plan sponsored by ON Semiconductor. Subject to local legal requirements, each of the Company's full-time employees has the right to elect to have up to 10% of their payroll applied towards the purchase of shares of ON Semiconductor's common stock at a price equal to 85% of the fair market value of such shares as determined under the plan. Employees are limited to annual purchases of $25,000 under this plan. In addition, during each quarterly offering period, employees may not purchase stock exceeding the lesser of (i) 500 shares, or (ii) the number of shares equal to $6,250 divided by the fair market value of the stock on the first day of the offering period. During 2003, 2002 and 2001, employees purchased approximately 0.7 million, 1.0 million and 1.3 million shares under the plan. During 2001, shareholders voted to amend the 2000 Employee Stock Purchase Plan to increase the number of shares of ON Semiconductor's common stock issuable thereunder by 4.0 million (for an aggregate of 5.5 million shares).

Note 14: Commitments and Contingencies

Leases

The following is a schedule by year of future minimum lease obligations under non-cancelable operating leases (in millions):

As of December 31, 2003	
2004	$ 8.4
2005	5.3
2006	2.1
2007	0.4
2008	0.2
Total	$16.4

As of April 2, 2004	
Remainder of 2004	$ 6.7
2005	5.8
2006	2.6
2007	0.8
2008	0.3
Thereafter	1.0
Total	$17.2

Other Obligations

The Company also enters into various capital purchase obligations, supply agreements and service agreements with various vendors. The obligations, which are not cancelable without penalty, for these types of agreements are as follows as of April 2, 2004:

Contractual obligations	Total	Remainder of 2004	2005	2006	2007	2008	Thereafter
Capital purchase obligations	$ 0.5	$ 0.5	$ —	$—	$—	$—	$ —
Foundry and inventory purchase obligations	31.5	31.5	—	—	—	—	—
Mainframe support	15.3	6.2	7.4	1.7	—	—	—
Various information technology and communication services	44.4	19.1	8.9	6.1	4.6	5.7	—
Other	2.9	1.4	0.9	0.6	—	—	—
	$94.6	$ 58.7	$17.2	$ 8.4	$ 4.6	$ 5.7	$ —

At December 31, 2003, the Company has a letter of credit totaling $2.6 million to partially secure a service agreement with an information technology vendor. A downgrade in the Company's debt rating could trigger acceleration of remaining amounts due under this agreement, a portion of which would be satisfied by the letters of credit. The agreement expires in 2006. The letter of credit is renewable annually until 2005 when it expires.

Other Contingencies

The Company's manufacturing facility in Phoenix, Arizona is located on property that is a "Superfund" site, a property listed on the National Priorities List and subject to clean-up activities under the Comprehensive Environmental Response, Compensation, and Liability Act. Motorola is actively involved in the cleanup of on-site solvent contaminated soil and groundwater and off-site contaminated groundwater pursuant to consent decrees with the State of Arizona. As part of the August 4, 1999 recapitalization, Motorola has retained responsibility for this contamination, and has agreed to indemnify the Company with respect to remediation costs and other costs or liabilities related to this matter.

Commitments with Affiliate

Leshan-Phoenix Semiconductor Company Limited ("Leshan"), operates a back-end manufacturing facility in Leshan, China. ON Semiconductor owns a majority of the outstanding equity interests of Leshan. Pursuant to the joint venture agreement, requests for production capacity are made to the board of directors of Leshan by each shareholder. These requests represent a purchase commitment by the respective shareholder of the Leshan joint venture; however, each shareholder may elect to pay the cost associated with the unused capacity (which is generally equal to the fixed cost of the capacity), in lieu of the commitment. The Company provides forecasted needs to Leshan on a periodic basis, an approximate six-month cycle, which are used to establish pricing over the forecasted period, and, as described above, the Company is responsible for underutilized capacity cost due to variations from our forecasted needs. The Company committed to purchase 82%, 85% and 81% of the total products produced by Leshan in 2003, 2002 and 2001, respectively, and is currently committed to purchase 86% of the product produced by Leshan in 2004. Because the Company purchased less than its committed amounts in 2003, 2002 and 2001, it incurred $0.5 million, $1.5 million and $6.4 million in underutilization charges, respectively.

Legal Matters

The Company and ON Semiconductor are currently involved in a variety of legal matters that arise in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters, including the matters described in the next paragraphs, will have a material adverse effect on the Company or ON Semiconductor's financial condition, results of operations or cash flows.

During the period July 5, 2001 through July 27, 2001, ON Semiconductor was named as a defendant in three shareholder class action lawsuits that were filed in federal court in New York City against ON Semiconductor and certain of its former officers, current and former directors and the underwriters for its initial public offering. The lawsuits allege violations of the federal securities laws and have been docketed in the U.S. District Court for the Southern District of New York as: *Abrams v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6114; *Breuer v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6287; and *Cohen v. ON Semiconductor Corp., et al.*, C.A. No. 01-CV-6942. On April 19, 2002, the plaintiffs filed a single consolidated amended complaint that supersedes the individual complaints originally filed. The amended complaint alleges, among other things, that the underwriters of ON Semiconductor's initial public offering improperly required their customers to pay the underwriters excessive commissions and to agree to buy additional shares of ON Semiconductor's common stock in the aftermarket as conditions of receiving shares in its initial public offering. The amended complaint further alleges that these supposed practices of the underwriters should have been disclosed in ON Semiconductor's initial public offering prospectus and registration statement. The amended complaint alleges violations of both the registration and antifraud provisions of the federal securities laws and seeks unspecified damages. We understand that various other plaintiffs have filed substantially similar class action cases against approximately

300 other publicly traded companies and their public offering underwriters in New York City, which have all been transferred, along with the cases against ON Semiconductor to a single federal district judge for purposes of coordinated case management. ON Semiconductor believes that the claims against it are without merit and has defended, and intends to continue to defend, the litigation vigorously. The litigation process is inherently uncertain, however, and ON Semiconductor cannot guarantee that the outcome of these claims will be favorable.

On July 15, 2002, together with the other issuer defendants, ON Semiconductor filed a collective motion to dismiss the consolidated, amended complaints against the issuers on various legal grounds common to all or most of the issuer defendants. The underwriters also filed separate motions to dismiss the claims against them. In addition, the parties have stipulated to the voluntary dismissal without prejudice of our individual former officers and current and formal directors who were named as defendants in our litigation, and they are no longer parties to the litigation. On February 19, 2003, the Court issued its ruling on the motions to dismiss filed by the underwriter and issuer defendants. In that ruling the Court granted in part and denied in part those motions. As to the claims brought against ON Semiconductor under the antifraud provisions of the securities laws, the Court dismissed all of these claims with prejudice, and refused to allow plaintiffs the opportunity to re-plead these claims. As to the claims brought under the registration provisions of the securities laws, which do not require that intent to defraud be pleaded, the Court denied the motion to dismiss these claims as to ON Semiconductor and as to substantially all of the other issuer defendants as well. The Court also denied the underwriter defendants' motion to dismiss in all respects.

In June 2003, upon the determination of a special independent committee of our Board of Directors, ON Semiconductor elected to participate in a proposed settlement with the plaintiffs in this litigation. If ultimately approved by the Court, this proposed settlement would result in a dismissal, with prejudice, of all claims in the litigation against ON Semiconductor and against any of the other issuer defendants who elect to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. The proposed settlement does not provide for the resolution of any claims against the underwriter defendants, and the litigation against those defendants is continuing. The proposed settlement provides that the class members in the class action cases brought against the participating issuer defendants will be guaranteed a recovery of $1 billion by the participating issuer defendants. If recoveries totaling less than $1 billion are obtained by the class members from the underwriter defendants, the class members will be entitled to recover the difference between $1 billion and the aggregate amount of those recoveries from the participating issuer defendants. If recoveries totaling $1 billion or more are obtained by the class members from the underwriter defendants, however, the monetary obligations to the class members under the proposed settlement will be satisfied. In addition, ON Semiconductor and any other participating issuer defendants will be required to assign to the class members certain claims that they may have against the underwriters of our initial public offerings.

The proposed settlement contemplates that any amounts necessary to fund the settlement or settlement-related expenses would come from participating issuers' directors and officers' liability insurance policy proceeds as opposed to funds of the participating issuer defendants themselves. A participating issuer defendant could be required to contribute to the costs of the settlement if that issuer's insurance coverage were insufficient to pay that issuer's allocable share of the settlement costs. ON Semiconductor expects that its insurance proceeds will be sufficient for these purposes and that ON Semiconductor will not otherwise be required to contribute to the proposed settlement. Consummation of the proposed settlement is conditioned upon, among other things, negotiating, executing, and filing with the Court final settlement documents, and final approval by the Court. Formal settlement documents for submission to the Court are currently being drafted. If the proposed settlement described above is not consummated, however, ON Semiconductor intends to continue to defend the litigation vigorously. While ON Semiconductor can make no promises or guarantees as to the outcome of these proceedings, ON Semiconductor believes that the final result of these actions will have no material effect on its consolidated financial condition, results of operations or cash flows.

Note 15: Related Party Transactions

The Company agreed to pay TPG an annual management fee of up to $2.0 million. In connection with the Cherry acquisition described in Note 3, the Company paid TPG a $2.0 million advisory fee in-lieu of the annual management fee for 2000. The payment of the annual management fee to TPG has been waived until certain conditions are met and no such management fees were incurred in 2001, 2002 or 2003. Management fees may be paid to TPG in cash or with the ON Semiconductor's common stock or warrants.

In connection with the Recapitalization, Motorola assigned, licensed or sublicensed intellectual property to the Company relating to certain of the Company's products. Motorola also agreed to continue providing manufacturing and assembly services, to continue using similar services the Company provides to them and to lease real estate to the Company. The manufacturing and assembly services that the Company and Motorola have agreed to continue to provide to each other are at prices intended to approximate each party's cost of providing the services and are fixed throughout the term of the agreements. As of December 31, 2003, the Company has no minimum commitments to purchase manufacturing services from Motorola in 2004. Therefore, related party activity between the Company and Motorola prior to January 1, 2004 are presented as follows (in millions):

	Year ended December 31,			Quarter ended
	2003	2002	2001	April 3, 2003
Revenues from Motorola	77.9	87.7	98.9	21.5
Cash paid for:				
Purchases of manufacturing services from Motorola	$ 8.9	$ 14.3	$ 87.4	$ 1.9
Cost of other services, rent and equipment purchased from Motorola	$ 0.8	$ 1.5	$ 17.7	$ 0.4
Cash received for:				
Freight sharing agreement with Motorola	$ —	$ 21.4	$ 21.9	$ —
Rental of property and equipment to Motorola	$ 5.6	$ 9.1	$ 11.2	$ 2.2
Product sales to Motorola	$ 74.9	$ 99.5	$ 94.3	$ 15.4

	As of December 31,	
	2003	2002
Accounts receivable from Motorola	$ 7.7	$ 4.7
Accounts payable to Motorola	$ 0.4	$ 0.1
Accrued expenses payable to Motorola	$ 0.7	$ 11.7
Long-term debt payable to Motorola	$ 139.9	$ 126.9

On April 8, 2002, the Company and Motorola, Inc. reached agreement regarding certain post-closing payments to be made under agreements entered into in connection with the August 1999 Recapitalization. Pursuant to the agreement, Motorola paid the Company $10.6 million during the second quarter of 2002. As a result, the Company recognized a related gain of $12.4 million, which is included in restructuring, asset impairments and other, net in the consolidated statement of operations for the year ended December 31, 2002.

As part of the recapitalization, Motorola agreed to provide the Company with worldwide freight services through August 4, 2002. This agreement resulted in better prices than the Company could obtain from third parties.

Note 16: Supplemental Disclosure of Cash Flow Information

The Company's non-cash financing activities and cash payments for interest and income taxes are as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
Non-cash financing activities:			
Equipment acquired through capital leases	6.6	$ —	$ 3.0
Cash (received) paid for:			
Interest	141.7	103.8	113.3
Income taxes	1.8	(0.6)	(1.3)

Note 17: Segment Information

The Company is engaged in the design, development, manufacture and marketing of a wide variety of semiconductor components and operates in one segment. The Company operates in various geographic locations. Sales to unaffiliated customers have little correlation with the location of manufacture. It is, therefore, not meaningful to present operating profit by geographic location. The Company conducts a substantial portion of its operations outside of the United States and is subject to risks associated with non-U.S. operations, such as political risks, currency controls and fluctuations, tariffs, import controls and air transportation.

Revenues by geographic location and product line, including local sales and exports made by operations within each area, are summarized as follows (in millions):

	Year ended December 31,		
	2003	2002	2001
United States	$ 319.5	$ 393.1	$ 430.6
The Other Americas	4.0	8.2	55.1
Asia/Pacific	484.8	416.5	376.8
Europe	189.3	201.7	264.0
Japan	63.3	65.0	88.1
	$ 1,060.9	$ 1,084.5	$ 1,214.6

	Year ended December 31,		
	2003	2002	2001
Power Management and Standard Analog	$ 333.4	$ 362.7	$ 365.4
MOS Power Devices	152.6	138.7	146.7
High Frequency Clock and Data Management	80.5	72.0	118.5
Standard Components	494.4	511.1	584.0
	$ 1,060.9	$ 1,084.5	$ 1,214.6

Property, plant and equipment by geographic location is summarized as follows (in millions):

	December 31, 2003	December 31, 2002
United States	$ 94.3	$104.4
Europe	89.4	97.4
Malaysia	78.7	103.1
Japan	71.7	72.6
The Other Asia/Pacific	25.7	32.6
The Other Americas	20.1	44.0
	$379.9	$454.1

EXHIBIT 99.2

ON SEMICONDUCTOR TRADING LTD
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2003 and 2002 and for the Years Ended December 31, 2003, 2002 and 2001
and as of April 2, 2004 (unaudited) and for the three months ended April 2, 2004 and April 4, 2003 (unaudited)

REPORT OF INDEPENDENT AUDITORS

To The Board of Directors and Stockholder
of ON Semiconductor Trading Ltd.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholder's equity (deficit) and of cash flows present fairly, in all material respects, the financial position of ON Semiconductor Trading Ltd. and its subsidiaries (an indirect wholly-owned subsidiary of ON Semiconductor Corporation) at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has extensive transactions and relationships with ON Semiconductor Corporation and its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona
February 2, 2004, except for the
third paragraph of Note 2
for which the date is February 9, 2004

ON SEMICONDUCTOR TRADING LTD
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED BALANCE SHEET

	December 31, 2003	December 31, 2002	April 2, 2004 (unaudited)
	(in millions, except share data)		
Assets			
Cash and cash equivalents	$ 28.1	$ 30.8	$ 31.5
Receivables, net	99.1	73.0	105.6
Inventories, net	147.6	138.1	151.1
Other current assets	9.7	16.3	10.5
Deferred income taxes	1.8	2.8	1.9
Total current assets	286.3	261.0	300.6
Property, plant and equipment, net	6.1	8.8	5.4
Deferred income taxes	0.9	1.3	0.9
Other assets	7.6	4.2	6.8
Total assets	$ 300.9	$ 275.3	$ 313.7
Liabilities and Stockholder’s Equity (Deficit)			
Accounts payable	$ 48.5	$ 24.0	$ 49.6
Accrued expenses	28.8	21.2	30.0
Due to affiliates	73.0	76.7	57.9
Income taxes payable	1.4	0.7	2.1
Deferred income on sales to distributors	47.0	52.9	60.3
Total current liabilities	198.7	175.5	199.9
Other long-term liabilities	3.5	2.0	3.3
Notes payable to parent	104.7	160.3	94.6
Total liabilities	306.9	337.8	297.8
Commitments and contingencies (See Note 12)	—	—	—
Common stock ($0.01 par value, 50,000 shares authorized, 12,000 shares issued and outstanding)	—	—	—
Additional paid-in capital	40.4	40.4	40.4
Accumulated other comprehensive income	0.6	0.5	0.7
Accumulated deficit	(47.0)	(103.4)	(25.2)
Total stockholders’ equity (deficit)	(6.0)	(62.5)	15.9
Total liabilities and stockholder’s equity (deficit)	$ 300.9	$ 275.3	$ 313.7

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR TRADING LTD
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
				(unaudited)	(unaudited)
			(in millions)		
Revenues:					
External revenues	$ 741.6	$ 690.0	$ 744.4	$ 230.6	$ 176.4
Revenues from affiliates	252.4	230.3	272.9	85.6	62.8
Total revenues	994.0	920.3	1,017.3	316.2	239.2
Cost of sales:					
External cost of sales	537.0	521.6	619.7	173.8	127.1
Cost of sales to affiliates	252.9	240.0	290.4	74.1	62.5
Total cost of sales	789.9	761.6	910.1	247.9	189.6
Gross profit	204.1	158.7	107.2	68.3	49.6
Operating expenses:					
Research and development	74.8	55.1	72.4	21.6	15.3
Selling and marketing	24.7	24.6	28.6	6.8	6.4
General and administrative	40.5	40.1	42.0	14.7	9.2
Restructuring, asset impairments and other, net	3.3	6.0	16.0	—	0.3
Total operating expenses	143.3	125.8	159.0	43.1	31.2
Operating income (loss)	60.8	32.9	(51.8)	25.2	18.4
Other income (expense), net:					
Interest expense	(7.5)	(12.1)	(13.3)	(1.4)	(2.1)
Realized and unrealized foreign currency gains or losses	4.0	2.4	(1.3)	(0.3)	1.9
Other income (expense), net	(3.5)	(9.7)	(14.6)	(1.7)	(0.2)
Income (loss) before income taxes and cumulative effect of accounting change	57.3	23.2	(66.4)	23.5	18.2
Income tax benefit (provision)	(0.9)	(1.3)	1.2	(1.7)	2.9
Income (loss) before cumulative effect of accounting change	56.4	21.9	(65.2)	21.8	21.1
Cumulative effect of accounting change, net of tax	—	—	(81.5)	—	—
Net income (loss)	$ 56.4	$ 21.9	$ (146.7)	$ 21.8	$ 21.1

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR TRADING LTD
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY (DEFICIT)

	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
			(in millions)		
Balance at December 31, 2000	$ —	$ 40.4	$ 0.6	$ 21.4	$ 62.4
Comprehensive loss:					
Net loss		—	—	(146.7)	(146.7)
Foreign currency translation adjustment		—	(0.1)	—	(0.1)
Comprehensive loss			(0.1)	(146.7)	(146.8)
Balance at December 31, 2001	—	40.4	0.5	(125.3)	(84.4)
Comprehensive income:					
Net income		—	—	21.9	21.9
Comprehensive income			—	21.9	21.9
Balance at December 31, 2002	—	40.4	0.5	(103.4)	(62.5)
Comprehensive income:					
Net income		—	—	56.4	56.4
Foreign currency translation adjustment		—	0.1	—	0.1
Comprehensive income			0.1	56.4	56.5
Balance at December 31, 2003	—	40.4	0.6	(47.0)	(6.0)
Comprehensive income (unaudited):					
Net income (unaudited)		—	—	21.8	21.8
Foreign currency translation adjustment (unaudited)		—	0.1	—	0.1
Comprehensive income (unaudited)			0.1	21.8	21.9
Balance at April 2, 2004 (unaudited)	$ —	$ 40.4	$ 0.7	$ (25.2)	$ 15.9

See accompanying notes to consolidated financial statements.

ON SEMICONDUCTOR TRADING LTD
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
			(in millions)	(unaudited)	(unaudited)
Cash flows from operating activities:					
Net income (loss)	$ 56.4	$ 21.9	$ (146.7)	$ 21.8	$ 21.1
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	4.1	4.7	7.1	0.9	1.1
Cumulative effect of accounting change	—	—	81.5	—	—
Provision for excess inventories	8.0	13.2	42.4	—	3.4
Non-cash impairment of property, plant and equipment	0.3	0.2	2.7	—	—
Deferred income taxes	1.9	1.5	0.9	(0.1)	(1.7)
Other	(0.3)	0.7	(0.5)	0.8	(5.1)
Changes in assets and liabilities:					
Receivables	(26.3)	(23.9)	78.4	(6.5)	(9.3)
Inventories	(17.5)	30.5	(12.4)	(3.5)	(22.6)
Other assets	3.2	(12.3)	1.1	(0.8)	9.6
Due from affiliates	—	106.4	(93.7)	16.1	(21.8)
Accounts payable	24.5	(7.4)	(8.7)	1.1	15.9
Accrued expenses	7.6	10.0	(44.5)	1.2	(8.0)
Due to affiliates	(4.6)	72.2	(77.6)	(31.2)	—
Income taxes payable	0.7	(2.5)	(11.4)	0.7	(0.7)
Deferred income on sales to distributors	(5.9)	(8.5)	(34.3)	13.3	5.4
Other long-term liabilities	1.5	(1.7)	(1.8)	(0.2)	(0.1)
Net cash provided by (used in) operating activities	53.6	205.0	(217.5)	13.6	(12.8)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(0.8)	(0.3)	(2.5)	(0.2)	(1.6)
Proceeds from sales of property, plant and equipment	—	0.2	0.3	—	—
Net cash used in investing activities	(0.8)	(0.1)	(2.2)	(0.2)	(1.6)
Cash flows from financing activities:					
Proceeds from borrowings from Parent	236.6	206.3	515.5	110.6	80.7
Repayment of borrowings from Parent	(292.2)	(413.9)	(320.0)	(120.7)	(72.9)
Net cash provided by (used in) financing activities	(55.6)	(207.6)	195.5	(10.1)	7.8
Effect of exchange rate changes on cash and cash equivalents	0.1	—	—	0.1	—
Net increase (decrease) in cash and cash equivalents	(2.7)	(2.7)	(24.2)	3.4	(6.6)
Cash and cash equivalents, beginning of period	30.8	33.5	57.7	28.1	30.8
Cash and cash equivalents, end of period	$ 28.1	$ 30.8	$ 33.5	$ 31.5	$ 24.2

See accompanying notes to consolidated financial statements.

Note 1: Background and Basis of Presentation

ON Semiconductor Trading Ltd. (the “Company” or “ON Trading”), located in Hamilton, Bermuda, is a wholly-owned subsidiary of Semiconductor Components Industries, LLC (“SCI LLC” or “Parent”), which is a wholly-owned subsidiary of ON Semiconductor Corporation (“ON Semiconductor”). ON Trading is responsible for selling ON Semiconductor’s products outside the United States, Mexico, Brazil and Puerto Rico. ON Trading performs certain functions related to sales, procurement, data aggregation, inventory management, research and development, and managing distribution scheduling. In order to function in this capacity, ON Trading entered into a cost sharing agreement with SCI LLC during 2000, which provided ON Trading with the right to use ON Semiconductor’s intellectual property for the purpose of manufacturing, selling, importing and exporting property outside of the United States, Mexico, Brazil and Puerto Rico.

The accompanying unaudited financial statements as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company’s management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of December 31, 2003 and for the year then ended included in the Company’s annual report on Form 10-K, as amended, for the year ended December 31, 2003.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables, and deferred tax assets; accruals for customer incentives, warranties, and restructuring charges, inventory writedowns and pension obligations; the fair values of financial instruments (including derivative financial instruments); and future cash flows associated with long-lived assets. Actual results could differ from these estimates. Certain prior period amounts have been revised to conform to the current period presentation. These changes had no impact on previously reported net loss or stockholders’ deficit.

Note 2: Liquidity

During the quarter ended April 2, 2004, On Semiconductor incurred a net loss of $47.6 million compared to a net loss of $50.5 million for the quarter ended April 4, 2003. On Semiconductor’s net loss included net charges from restructuring, asset impairments and other, net of $13.1 million for the quarter ended April 2, 2004. On Semiconductor’s net loss for the first quarter of 2004 also included a charge of $33.0 million for loss on debt prepayment. On Semiconductor’s net loss for the first quarter of 2003 included a charge of $21.5 million relating to a change in accounting principle described in Note 3 and $3.5 million for loss on debt prepayment. Net cash provided by operating activities was $32.8 million for the quarter ended April 2, 2004, as compared $4.6 million for the quarter ended April 4, 2003.

At April 2, 2004, On Semiconductor had $221.4 million in cash and cash equivalents, net working capital of $250.8 million, term and revolving debt of $1,141.2 million in the aggregate and a stockholders’ deficit of $463.1 million. On Semiconductor’s long-term debt includes $320.1 million under its senior bank facilities; $124.7 million (net of discount) of its 12% first lien senior secured notes due 2010; $190.4 million (net of discount) of its 13% second lien senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $143.4 million under its 10% junior subordinated note due 2011; $23.0 million under a note payable to a Japanese bank due 2010; $66.8 million under loan facilities with Chinese banks; and $12.8 million under capital lease obligations. On Semiconductor was in compliance with all of the covenants contained in its various debt agreements as of April 2, 2004 and expects to remain in compliance over the next twelve months.

In February 2004, On Semiconductor completed a public offering of common stock resulting in net proceeds of $226.7 million. The net proceeds were used to redeem $70.0 million principal amount of On Semiconductor’s 13% senior secured notes due 2010 and $105.0 million principal amount of the 12% senior secured notes due 2008 at a redemption price of 112% of the principal amount of such notes. The remaining proceeds will be used for general corporate purposes.

During the year ended December 31, 2003, ON Semiconductor incurred a net loss of $166.7 million compared to net losses of $141.9 and 831.4 million in 2002 and 2001, respectively. ON Semiconductor’s net results included restructuring, asset impairments and other, net of $61.2 million, $27.7 million and $150.4 million in 2003, 2002 and 2001, respectively, as well as interest expense of $151.1, $152.5 million and $143.6 million, respectively. ON Semiconductor’s operating activities provided cash of $45.7 in 2003 and $46.4 million in 2002 and used cash of $116.4 million in 2001.

At December 31, 2003, ON Semiconductor had $186.6 million in cash and cash equivalents, net working capital of $212.5 million, term or revolving debt of $1,302.9 million and a stockholders’ deficit of $644.6 million. ON Semiconductor’s long-term debt includes $320.1 million under its senior bank facilities; $191.6 million (net of discount) of its 13% senior secured notes due 2010; $292.6 million (net of discount) of its 12% senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $139.9 million under a 10% junior subordinated note payable to Motorola due 2011; $48.0 million under a loan facility with a Chinese bank due 2013; $24.3 million under a note payable to a Japanese bank due 2010; $20.0 million under a loan facility with a Chinese bank due 2007; and $6.4 million under a capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements at December 31, 2003 and expects to remain in compliance over the next twelve months.

On Semiconductor’s ability to service its long-term debt, to remain in compliance with the various covenants and restrictions contained in its financing agreements and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond its control.

If On Semiconductor fails to generate sufficient cash from operations, it may need to raise additional equity or borrow additional funds to achieve its longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to On Semiconductor. Management believes that cash flow from operating activities coupled with existing cash balances will be adequate to fund On Semiconductor’s operating and capital needs as well as to enable it to maintain compliance with its various debt agreements through April 2, 2005. To the extent that results or events differ from On Semiconductor’s financial projections or business plans, its liquidity may be adversely affected.

Note 3: Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period.

Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables and inventories; reserves for customer incentives and restructuring charges; the future cash flows associated with long-lived assets; and, the fair values of financial instruments. Actual results could differ from these estimates.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis), or market. The Company records provisions for slow moving inventories based upon a regular analysis of inventory levels on hand compared to historical and projected end user demand. Projected end user demand is generally based on sales during the prior twelve months.

These provisions can influence results from operations. For example, when demand for a given part falls, all or a portion of the related inventory is reserved, impacting cost of sales and gross profit. If demand recovers and the parts previously reserved are sold, a higher than normal margin will generally be recognized. General market conditions as well as the Company's design activities can cause certain of its products to become obsolete.

Property and Equipment

Property and equipment are recorded at cost and are depreciated over estimated useful lives of 3-20 years using accelerated and straight-line methods. Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the related carrying amount of an asset may not be recoverable. Impairment is assessed when the undiscounted expected cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which the Company operates and the resulting assumptions used to estimate future cash flows impact the outcome of these impairment tests.

Revenue Recognition

The Company generates revenue from the sales of its semiconductor products to original equipment manufacturers, distributors and electronic manufacturing service providers as well as to affiliated companies. The Company recognizes revenue on sales to original equipment manufacturers and electronic manufacturing service providers when title passes to the customer net of provisions for related sales costs and allowances. Revenues generated from sales to affiliated companies are based on intercompany pricing agreements and recognized when title and risk of loss has passed to the affiliate.

Prior to January 1, 2001, the Company recognized revenue on all distributor sales when title passed to the distributor. Provisions were also recorded at that time for estimated sales returns from distributors as well as for other related sales costs and allowances. Effective January 1, 2001, the Company changed its revenue recognition policy with respect to distributor sales so that the related revenues are now deferred until the distributor resells the product to the end user. This change eliminated the need to provide for estimated sales returns from distributors. Title to products sold to distributors typically passes at the time of shipment by the Company so the Company records accounts receivable for the amount of the transaction, reduces its inventory for the products shipped and defers the related margin in the consolidated balance sheet. The Company recognizes the related revenue and margin when the distributor sells the products to the end user. Although payment terms vary, most distributor agreements require payment within 30 days.

Research and Development Costs

Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company accounts for employee stock options relating to the common stock of ON Semiconductor in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations (“APB 25”) and provides the pro forma disclosures required by SFAS No. 123 “Accounting for Stock Based Compensation” (“SFAS No. 123”). The Company measures compensation expense relating to non-employee stock awards in accordance with SFAS No. 123.

Had the Company determined employee stock compensation expense in accordance with SFAS No. 123, the Company’s net income (loss) for the years ended December 31, 2003, 2002, and 2001 and the three months ended April 2, 2004 and April 4, 2003 would have been increased to the pro forma amounts indicated below (in millions):

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
Net income (loss), as reported	$56.4	$21.9	$(146.7)	$ 21.8	$ 21.1
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(1.9)	(1.9)	(1.5)	(0.5)	(0.4)
Pro forma net income (loss)	$54.5	$20.0	$(148.2)	$ 21.3	$ 20.7

The fair value of each option grant has been estimated at the date of grant while the fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan has been estimated at the beginning of each of the respective offering periods, both using a Black-Scholes option-pricing model with the following weighted-average assumptions:

				Three Months ended	
Employee Stock Options	2003	2002	2001	April 2, 2004	April 4, 2003
Expected life (in years)	5	5	5	5	5
Risk-free interest rate	3.09%	4.28%	4.83%	3.18%	3.07%
Volatility	0.79	0.70	0.70	0.70	0.70

				Three Months ended	
Employee Stock Purchase Plan	2003	2002	2001	April 2, 2004	April 4, 2003
Expected life (in years)	0.25	0.25	0.25	0.25	0.25
Risk-free interest rate	1.07%	1.71%	4.26%	0.95%	1.12%
Volatility	0.82	0.70	0.70	0.60	0.70

The weighted-average estimated fair value of employee stock options granted during 2003, 2002 2001 was $1.59, $1.93, and $3.23 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under ON Semiconductor’s 2000 Employee Stock Purchase Plan during 2003, 2002 and 2001 was $0.60, $0.62 and $1.24, respectively.

The weighted-average estimated fair value of employee stock options granted during the first three months of 2004 and 2003 was $4.23 and $0.76 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under ON Semiconductor’s 2000 Employee Stock Purchase Plan during the first three months of 2004 and 2003 was $1.63 and $0.37, respectively.

Income Taxes

The Company is based in Bermuda, which does not levy taxes on income. Income taxes in the accompanying consolidated financial statements relate to the Company's wholly-owned subsidiaries operating outside of Bermuda.

Income taxes are accounted for using the asset and liability method and are determined on a separate return basis. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized.

In determining the amount of the valuation allowance, estimated future taxable income as well as feasible tax planning strategies in each taxing jurisdiction are considered. If all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if the Company will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. The Company's ability to utilize its deferred tax assets and the continuing need for a related valuation allowance are monitored on an ongoing basis.

Foreign Currencies

Most of the Company's foreign subsidiaries deal primarily in U.S. dollars and as a result, utilize the dollar as their functional currency. For the translation of financial statements of these subsidiaries, assets and liabilities that are receivable or payable in cash are translated at current exchange rates while inventories and other non-monetary assets are translated at historical rates. Gains and losses resulting from the translation of such financial statements are included in the operating results, as are gains and losses incurred on foreign currency transactions. The Company's remaining foreign subsidiaries utilize the local currency as their functional currency. The assets and liabilities of these subsidiaries are translated at current exchange rates while revenues and expenses are translated at the average rates in effect for the period. The related translation gains and losses are included in accumulated other comprehensive income within stockholder's equity (deficit).

Defined Benefit Plans

The Company maintains pension plans covering certain of its employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management's judgement, considering all known trends and uncertainties. Actual results that differ from these assumptions would impact the future expense recognition and cash funding requirements of our pension plans.

Reclassifications

Certain amounts have been reclassified to conform with the current year presentation.

Contingencies

The Company is involved in a variety of legal matters that arise in the normal course of business. Based on information available, management evaluates the relevant range and likelihood of potential outcomes. In accordance with SFAS No. 5, "Accounting for Contingencies", the Company records the appropriate liability when the amount is deemed probable and estimable.

Related Party Transactions

The Company has extensive transactions and relationships with ON Semiconductor and its affiliates which include intercompany pricing agreements, an intellectual property royalty agreement and general and administrative and research and development cost sharing agreements. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Recent Accounting Pronouncements

In the second quarter of 2003, the Company adopted FASB Interpretation No. 46 ("FIN No. 46), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51". FIN No. 46 requires that certain variable interest entities (VIE's) be consolidated by the primary beneficiary, as that term is defined in FIN No. 46. The adoption of FIN No. 46 did not impact the Company's financial condition or results of operations.

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact the Company's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. The Company's adoption of SFAS No. 150 did not impact its financial condition or results of operations.

In December 2003, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits (revised 2003)". SFAS No. 132 revises employers' disclosures about pension plans and other postretirement benefit plans. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132, which also requires new disclosures for interim periods beginning after December 15, 2003, is effective for fiscal years ending after December 15, 2003, except for certain disclosures associated with foreign plans which are required for years ended after June 15, 2004. The Company has included the required disclosures in Note 7 "Employee Benefit Plans".

Note 4: Accounting Change

The Company changed its method of accounting for unrecognized net actuarial gains or losses relating to its defined benefit pension obligations effective January 1, 2003. Historically, the Company amortized such net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. The Company no longer defers actuarial gains or losses but recognizes such gains and losses during the fourth quarter of each year, which is the period the Company's annual pension plan actuarial valuations are prepared. Management believes that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred. This change did not have a material impact on the Company's financial position or results of operations.

Note 5: Restructuring, Asset Impairments and Other, Net

The activity related to the Company's restructuring, asset impairments and other, net is as follows (in millions):

	Reserve Balance at December 31, 2003	2004 Usage	Reserve Balance at April 2, 2004
December 2003			
Cash employee separation charges	$ 0.6	$(0.2)	$ 0.4
September 2003			
Cash employee separation charges	0.3	—	0.3
March 2002			
Cash employee separations charges	0.6	(0.4)	0.2
	$ 1.5	$(0.6)	$ 0.9

	Reserve Balance at December 31, 2002	2003 Charges	2003 Usage	Adjustments	Reserve Balance at December 31, 2003
December 2003					
Cash employee separation charges	$ —	$ 0.6	$ —	$ —	$ 0.6
September 2003					
Cash employee separation charges	—	0.8	(0.5)	—	0.3
June 2003					
Cash exit costs	—	1.2	(1.2)	—	—
Non-cash impairment of property, plant and equipment	—	0.2	(0.2)	—	—
	—				—
June 2002					
Cash employee separation charges	0.4	—	(0.4)	—	—
March 2002					
Cash employee separation charges	2.9	—	(2.8)	0.5	0.6
	$ 3.3	$ 2.8	$ (5.1)	$ 0.5	$ 1.5

	Reserve Balance at December 31, 2001	2002 Charges	2002 Usage	Adjustments	Reserve Balance at December 31, 2002
June 2002					
Cash employee separation charges	$ —	$ 0.6	$ (0.2)	$ —	$ 0.4
Non-cash impairment of property, plant and equipment	—	0.2	(0.2)	—	—
	—				0.4
March 2002					
Cash employee separation charges	—	5.3	(2.7)	0.3	2.9
December 2001					
Cash employee separation charges	0.8	—	(0.8)	—	—
June 2001					
Cash exit costs	1.3	—	(0.9)	(0.4)	—
March 2001					
Cash employee separation charges	0.3	—	(0.3)	—	—
	$ 2.4	$ 6.1	$ (5.1)	$ (0.1)	$ 3.3

	Reserve Balance at December 31, 2000	2001 Charges	2001 Usage	Adjustments	Reserve Balance at December 31, 2001
December 2001					
Cash employee separation charges	$ —	$ 1.1	$ (0.3)	$ —	0.8
Non-cash impairment of property, plant and equipment	—	1.3	(1.3)	—	—
	—				0.8
June 2001					
Cash employee separation charges	—	4.8	(4.7)	(0.1)	—
Cash exit costs	—	1.3	—	—	1.3
Non-cash impairment of property, plant and equipment	—	1.4	(1.4)	—	—
Non-cash stock compensation and pension charges	—	0.5	(0.5)	—	—
	—				1.3
March 2001					
Cash employee separation charges	—	5.7	(5.4)	—	0.3
	$ —	$ 16.1	$ (13.6)	$ (0.1)	$ 2.4

The following table reconciles the restructuring activity in the tables above to the “Restructuring, asset impairments and other, net” caption on the Statements of Operations for the three months ended April 4, 2003, (in millions):

	Three Months Ended April 4, 2003
2003 Adjustments	$ 0.5
Less: Additional net charges related to employee separation costs (March 2002) incurred in the third quarter of 2003	(0.2)
	$ 0.3

The following table reconciles the restructuring activity in the tables above to the “Restructuring, asset impairments and other, net” caption on the Statements of Operations for the years ended December 31, 2003, 2002 and 2001, (in millions):

	Year Ended December 31, 2003
2003 Charges	$ 2.8
Plus: Additional net charges related to employee separation costs (March 2002)	0.5
	$ 3.3

	Year Ended December 31, 2002
2002 Charges	$ 6.1
Less: Reserves released during the period	(0.1)
	$ 6.0

	Year Ended December 31, 2001
2001 Charges	$ 16.1
Less: Reserves released during the period	(0.1)
	$ 16.0

December 2003

In December 2003, the Company recorded a $0.6 million charge, associated with worldwide restructuring programs to cover employee separation costs relating to the termination of 5 employees, reflecting further reductions in selling, general and administrative personnel in France, Germany and the United Kingdom. As of April 2, 2004, all impacted employees had been notified and 2 had been terminated, and the Company currently expects to terminate all employees and pay the entire balance of employee severance costs by December 2004.

September 2003

In September 2003, the Company recorded a $1.0 million charge, associated with worldwide restructuring programs to cover employee separation costs relating to the termination of 7 employees, reflecting further reductions in general and administrative personnel in France, Germany and Hong Kong. The charge included an additional $0.2 million charge associated with the March 2002 restructuring program described below.

All impacted employees had been terminated, and the Company currently expects to pay the remaining $0.3 million of employee severance costs by December 2004.

June 2003

In June 2003, the Company recorded charges totaling $1.7 million associated with its restructuring programs. The charges include $1.2 million of lease and contract termination costs, $0.2 million of asset impairments and an additional $0.3 million associated with employee separation costs included in March 2002 restructuring program.

The lease and contract termination costs relate to the exit of certain sales and administrative offices in Bermuda and Europe and the termination of other purchase and supply agreements. As of December 31, 2003, all exit costs related to these charges had been paid.

The Company identified certain buildings, machinery, software and equipment that would no longer be used internally due to the continued consolidation of general and administrative functions and recorded an asset impairment charge of $0.2 million to write-down the remaining carrying value of these assets to their net realizable value.

June 2002

In June 2002, the Company recorded charges totaling $0.8 million for costs associated with its restructuring activities including $0.6 million to cover employee separation costs associated with the termination of two employees and $0.2 million for equipment write-offs that were charged directly against the related assets. The employee separation costs reflected further reductions in general and administrative staffing levels. As of December 31, 2003, all impacted employees had been terminated and the related severance payments had been made.

March 2002

In March 2002, the Company recorded a $5.3 million charge to cover employee separation costs relating to the termination of 62 employees. Approximately $5.0 million of this charge is attributable to employee terminations resulting from the Company’s decision to relocate its European administrative functions from Toulouse, France to Roznov, Czech Republic and Piestany, Slovakia. The remaining $0.3 million relates to reductions in selling, general and administrative functions primarily in the United Kingdom. The Company recorded an additional $0.3 in employee separation costs relating to the relocation of the administrative functions in Toulouse, France during 2003 as a result of its reevaluation of remaining costs to be incurred. As of April 2, 2004, the remaining liability relating to this restructuring was $0.2 million and the Company expects that the remaining severance benefits will be paid by December 2004.

December 2001

In December 2001, the Company recorded charges totaling $2.4 million for costs associated with its worldwide restructuring programs. The charges included $1.1 million to cover employee separation costs associated with the terminations of 5 employees as well as $1.3 million for property and equipment write-offs that were charged directly against the related assets. The employee separation costs reflected reductions in selling, general and administrative staffing levels. As of December 31, 2002, all impacted employees had been terminated. The $1.3 million charge related the write-off of certain property and equipment located in France and Slovakia that would no longer be utilized as a result of the Company's restructuring activities.

June 2001

In June 2001, the Company recorded charges totaling $8.0 million for costs associated with its worldwide restructuring programs. These programs were in response to rapidly changing economic circumstances requiring the Company to rationalize its operations to meet declining customer demand. The charge included $4.8 million to cover employee separation costs associated with the termination of approximately 175 employees and $0.5 million for additional pension charges related to the terminated employees. As of December 31, 2002, all of the employees had been terminated under this restructuring program.

The Company identified certain manufacturing equipment that would no longer be used internally and recorded a charge of $1.4 million to write-off the assets.

The June 2001 charge also included $1.3 million to cover certain exit costs relating to contract terminations. During 2002, the Company recorded a $0.4 adjustment to release reserves associated with the June 2001 restructuring programs due to the Company's analysis of estimated costs to complete those programs. As of December 31, 2002, all exit activities have been completed.

March 2001

In March 2001, the Company recorded charges totaling $5.7 million for costs associated with its worldwide restructuring programs. The charges of $5.7 million cover employee separation costs associated with the termination of approximately 80 employees. The employee separation costs reflected reductions in selling, general and administrative staffing. As of December 31, 2002, all of the employees had been terminated under this restructuring program.

Note 6: Balance Sheet Information

Balance sheet information is as follows (in millions):

	December 31, 2003	December 31, 2002	April 2, 2004
Receivables, net:			
Accounts receivable	$ 99.8	$ 73.6	$106.2
Less: Allowance for doubtful accounts	(0.7)	(0.6)	(0.6)
	$ 99.1	$ 73.0	$105.6
Inventories, net			
Raw materials	$ 5.4	$ 3.7	$ 6.1
Work in process	105.2	108.4	108.1
Finished goods	75.0	67.2	74.5
Total inventories	185.6	179.3	188.7
Less: Inventory reserves	(38.0)	(41.2)	(37.6)
	$147.6	$138.1	$151.1
Property, plant and equipment, net:			
Buildings	$ 0.4	$ 0.6	$ 0.4
Machinery and equipment	25.4	31.3	25.9
Total property, plant and equipment	25.8	31.9	26.3
Less: Accumulated depreciation	(19.7)	(23.1)	(20.9)
	$ 6.1	$ 8.8	$ 5.4
Accrued expenses:			
Accrued payroll	$ 9.2	$ 5.9	$ 9.3
Other taxes payable	2.0	6.6	5.2
Sales related reserves	14.7	3.1	13.1
Restructuring reserve	1.5	3.3	0.9
Other	1.4	2.3	1.5
	$ 28.8	$ 21.2	$ 30.0
Accumulated other comprehensive income:			
Foreign currency translation adjustments	$ 0.6	$ 0.5	$ 0.7

Depreciation expense totaled $4.1 million $4.7 million and $7.1 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The activity related to the Company's inventory reserves, warranty reserves and allowance for the deferred tax assets for the years ended December 31, 2001, 2002 and 2003 follows:

Description	Balance at Beginning of Period	Charged to Costs and Expenses	Charged to Other Accounts	Deductions/ Writeoffs	Balance at End of Period
Inventory reserves					
Year ended December 31, 2001	$ 17.3	$ 42.4	$ —	$ (16.1)	$ 43.6
Year ended December 31, 2002	$ 43.6	$ 13.2	$ —	$ (15.6)	$ 41.2
Year ended December 31, 2003	$ 41.2	$ 8.0	$ —	$ (11.2)	$ 38.0
Warranty reserves					
Year ended December 31, 2001	$ 1.1	$ —	$ —	$ (0.4)	$ 0.7
Year ended December 31, 2002	$ 0.7	$ 0.1	$ —	$ (0.1)	$ 0.7
Year ended December 31, 2003	$ 0.7	$ 0.1	$ —	$ —	$ 0.8
Allowance for deferred tax assets					
Year ended December 31, 2001	$ —	$ —	$ 0.6	$ —	$ 0.6
Year ended December 31, 2002	$ 0.6	$ 1.0	$ 1.5	$ —	$ 3.1
Year ended December 31, 2003	$ 3.1	$ —	$ (0.5)	$ —	$ 2.6

The activity related to the Company's warranty reserves for the quarters ended April 2, 2004 and April 4, 2003 are as follows (in millions):

Balance as of December 31, 2003	$ 0.8
Provision	—
Usage	—
Reserve released	—
Balance as of April 2, 2004	$ 0.8
Balance as of December 31, 2002	$ 0.7
Provision	—
Usage	—
Reserve released	—
Balance as of April 4, 2003	$ 0.7

Note 7: Income Taxes

Geographic sources of income (loss) before income taxes and cumulative effect of accounting change are as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
Bermuda	$43.5	$18.4	$(63.8)
Other foreign countries	13.7	4.8	(2.6)
	$57.2	$23.2	$(66.4)

The provision (benefit) for income taxes for the years ended December 31, 2003, 2002 and 2001, all of which relates to operations outside of Bermuda, is as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
Current	$ (1.0)	$ (0.2)	$ (2.1)
Deferred	1.9	1.5	0.9
	$ 0.9	$ 1.3	$ (1.2)

A reconciliation of the Bermuda statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,		
	2003	2002	2001
Bermuda federal statutory rate	— %	— %	— %
Increase (decrease) resulting from:			
Foreign rate differential	2.5	(5.2)	(2.8)
Change in valuation allowance	(0.9)	10.8	1.0
	1.6%	5.6%	(1.8)%

Deferred tax assets are as follows (in millions):

	December 31,	
	2003	2002
Tax-deductible goodwill	$ 0.9	$ 1.3
Reserves and accruals	1.4	1.5
Inventories	0.1	0.1
Net operating loss and tax credit carryforwards	2.9	4.2
Other	—	0.1
	5.3	7.2
Gross tax asset valuation allowance	(2.6)	(3.1)
Net deferred tax asset	$ 2.7	$ 4.1

A valuation allowance has been recorded against the portion of the Company's deferred tax assets that management believes is more likely than not that the related tax benefits will not be realized.

As of December 31, 2003 and 2002, the Company's foreign net operating loss carryforwards were $7.7 million and $13.0 million, respectively. If not utilized, these net operating losses will expire in varying amounts through 2008.

Other assets include $6.0 million and $3.0 million of French income tax refunds receivable at December 31, 2003 and 2002, respectively. The Company files income tax returns with the taxing authorities in the various jurisdictions in which it operates. Certain of these income tax returns remain subject to audit by the local tax authorities. Management believes that the resolution of any issues raised by such taxing authorities, including application of any related determinations to subsequent open years, will not have an adverse effect on the Company's financial condition or results of operations.

Note 8: Related Party Transactions

At December 31, 2003 and 2002, the total aggregate amount outstanding under various loan agreements between the Company and its Parent was $104.7 million and $160.3 million, respectively. The loan agreements expire on December 31, 2004, bear interest at a weighted average rate of 4.97% and are unsecured.

The Company consigns inventory to affiliates to perform all semiconductor manufacturing activities. The Company is charged for these activities based on intercompany pricing agreements with the respective affiliates and records the related costs in inventory. Finished goods are either sold to third-party customers outside the United States, Mexico, Brazil and Puerto Rico or to affiliates. Sales to affiliates are based on intercompany transfer pricing agreements.

SCI LLC incurs certain general and administrative and research and development costs that directly benefit the Company. General and administrative expenses that directly benefit the Company are specifically identified by management and charged to the Company by SCI LLC. Research and development costs are allocated and charged based on the percent of the Company's third-party sales to total ON Semiconductor third-party sales. Additionally, SCI LLC charges the Company a royalty fee for the use of ON Semiconductor's intellectual property. The royalty fee is a minimum of $10.0 million annually and is based on a percentage of the Company's third-party sales, such percentage determined based on the overall annual gross margin percentage of ON Semiconductor. The allocations utilized in arriving at the amounts reflected in the accompanying consolidated financial statements are based on assumptions that management believes are reasonable in the circumstances; however, such allocations are not necessarily indicative of the costs that would have been incurred by the Company had it operated as a stand-alone entity.

Related party activity between the Company and its affiliates is as follows (in millions):

	Year Ended December 31, 2003	Year Ended December 31, 2002	Year Ended December 31, 2001	Three Months Ended April 2, 2004	Three Months Ended April 4, 2003
				(unaudited)	(unaudited)
Purchases of manufacturing services from affiliates	$ 797.7	$ 719.4	$ 814.0	$ 250.7	$ 205.7
Expense allocations from SCI LLC:					
General and administrative expenses					
Royalties	$ 10.0	$ 10.0	$ 10.0	$ 3.0	$ 2.5
Other	20.0	22.9	22.0	6.3	5.0
	$ 30.0	$ 32.9	$ 32.0	$ —	$ 7.5
Research and development	$ 60.8	$ 45.0	$ 59.6	$ 17.5	$ 12.1

Note 9: Employee Benefit Plans

Defined Benefit Plans

Certain of the Company's subsidiaries provide retirement plans for substantially all of their employees. The plans conform to local practice in terms of providing minimum benefits mandated by law, collective agreements or customary practice. Benefits under these pension plans are valued using the projected unit credit cost method. The Company does not expect to make contributions to its pension plans in 2004.

The following is a summary of the status of the pension plans and the net periodic pension cost (dollars in millions):

	December 31, 2003	December 31, 2002	December 31, 2001
Service cost	$ 0.2	$ 0.1	$ 0.2
Interest cost	0.3	0.1	0.1
Amortization of net (gain) or loss	(0.2)	—	—
Amortization of prior service cost	—	0.1	0.1
Curtailment gain	—	(0.3)	—
Net periodic pension cost	$ 0.3	$ —	$ —
Weighted average assumptions			
Discount rate	5.50%	5.50%	6.00%
Expected return on assets	6.00%	5.75%	6.00%
Rate of compensation increase	3.00%	3.00%	3.00%

	December 31, 2003	December 31, 2002
Change in projected benefit obligation:		
Projected benefit obligation at the beginning of the period	$ 3.0	$ 2.4
Service cost	0.2	0.1
Interest cost	0.3	0.1
Curtailment gain	—	(0.3)
Actuarial (gain) loss	(0.1)	0.3
Translation loss	0.6	0.4
Projected benefit obligation at the end of the period	$ 4.0	$ 3.0
Accumulated benefit obligation at the end of the period	$ 3.2	$ 2.6
Change in Plan Assets:		
Fair value of plan assets at the beginning of the period	$ 0.5	$ 0.4
Actual return on plan assets	0.1	0.1
Fair value of plan assets at the end of the period	$ 0.6	$ 0.5
Balances, end of period:		
Pension benefit obligation	$ (4.0)	$ (3.0)
Fair value of plan assets	0.6	0.5
Funded status	(3.4)	(2.5)
Unrecognized net actuarial gain	—	(0.1)
Unrecognized prior service cost	0.4	0.4
Net liability recognized, end of period	$ (3.0)	$ (2.2)
Amounts recognized in the statement of financial position:		
Accrued expenses	$ —	$ (0.4)
Other long-term liabilities	(3.0)	(1.8)
Net liability recognized, end of period	$ (3.0)	$ (2.2)
Assumptions used to value the Company’s pension obligations are as follows:		
Discount rate	5.50%	5.50%
Rate of compensation increase	3.00%	3.00%

As of April 2, 2004 and December 31, 2003, the total accrued pension liability was $2.6 million and $3.0 million, respectively. The components of our net periodic pension expense for the three months ended April 2, 2004 and April 4, 2003 are as follows (in millions):

	April 2, 2004	April 4, 2003
Service Cost	—	—
Interest cost	0.1	0.1
Amortization of prior service cost	—	—
Total net periodic pension cost	0.1	0.1

Defined Contribution Plans

Certain subsidiaries have defined contribution plans in which eligible employees participate. The Company recognized compensation expense of $0.4 million, $0.1 million and $0.3 million for the years ended December 31, 2003, 2002 and 2001, respectively, relating to these plans.

Note 10: Stock Options

Certain employees of the Company participate in ON Semiconductor stock option plans. Generally, the options granted under these plans vest over a period of four years. Upon the termination of an option holder’s employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

Information with respect to the activity of the stock option plans as it relates to the employees of the Company is as follows (in millions, except per share data):

	2003		2002		2001	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	2.6	$ 5.53	2.3	$ 6.72	1.5	$ 7.57
Grants	0.8	2.27	0.7	3.16	1.1	5.22
Exercises	(0.2)	2.12	(0.1)	1.50	(0.1)	1.50
Cancellations	(0.5)	5.54	(0.3)	9.57	(0.2)	6.62
Outstanding at end of year	2.7	$ 4.80	2.6	$ 5.53	2.3	$ 6.72
Exercisable at end of year	1.0	$ 5.98	0.9	$ 5.81	0.5	$ 6.11
Weighted average fair value of options granted during the period		$ 1.60		$ 1.93		$ 3.23

The following tables summarize options outstanding and options exercisable at December 31, 2003:

	Outstanding Options		
Range of Exercise Prices	**Number Shares**	**Weighted Average Contractual Life (in years)**	**Weighted Average Exercise Price**
$1.25-$2.71	1.1	7.63	$ 1.43
$3.06-$6.95	1.3	8.00	4.39
$9.03-$20.25	0.3	6.41	16.78
Totals	2.7		$ 4.80

	Exercisable Options		
Range of Exercise Prices	**Number Shares**	**Weighted Average Contractual Life (in years)**	**Weighted Average Exercise Price**
$1.25-$2.71	0.5	5.71	$ 1.50
$3.06-$6.95	0.3	7.54	4.52
$9.03-$20.25	0.2	6.41	16.94
Totals	1.0		$ 5.98

These options will expire if not exercised at specific dates through December 2013.

Eligible employees also participate in ON Semiconductor's 2000 Employee Stock Purchase Plan. Subject to local legal requirements, each of the Company's full-time employees has the right to elect to have up to 10% of their eligible earnings applied towards the purchase of shares of ON Semiconductor common stock at a price equal to 85% of the fair market value of such shares as determined under the plan. During each quarterly offering period, employees may not purchase stock exceeding the lesser of (i) 500 shares, or (ii) the number of shares equal to $6,250 divided by the fair market value of the stock on the first day of the offering period. During 2003, 2002, and 2001, employees purchased approximately 47,000, 122,000 and 188,000 shares, respectively, under the plan.

Note 11: Foreign Currency Exchange Contracts

The Company's foreign currency exposures are included in ON Semiconductor's worldwide foreign currency exposure management program. ON Semiconductor aggregates the forecasted foreign currency exposures for each of its subsidiaries on a monthly basis and enters into forward currency contracts in order to reduce its overall exposure to the effects of currency fluctuations on its results of operations and cash flows. Prior to January 1, 2001, the Company entered into its own foreign currency contracts. The Company's net foreign currency transaction gains (losses) included in the accompanying consolidated statement of operations for the years ended December 31, 2003, 2002 and 2001 are $4.0 million, $2.4 million, and ($1.3) million, respectively.

Note 12: Commitments and Contingencies

Operating Leases

The following is a schedule by year of future minimum lease obligations under non-cancelable operating leases (in millions):

As of December 31, 2004	
2004	$3.7
2005	1.9
2006	1.3
2007	0.2
2008	0.1
Total	$7.2

As of April 2, 2004	
Remainder of 2004	$2.7
2005	2.1
2006	1.4
2007	0.4
2008	—
Thereafter	0.1
Total	$6.7

Legal Matters

ON Semiconductor is currently involved in a variety of legal matters that arose in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters will have a material adverse effect on ON Semiconductor’s financial condition, results of operations or cash flows.

Common Stock Collateral Pledge

On May 6, 2002, ON Semiconductor and SCI LLC (collectively, the “Issuers”) issued $300 million principal amount of second lien notes due 2008. The notes are jointly and severally, fully and unconditionally guaranteed on a senior basis by ON Semiconductor’s domestic restricted subsidiaries that are guarantors under its senior subordinated notes. In addition, the notes and guarantees are secured on a second priority basis by the capital stock or other equity interests of ON Semiconductor’s domestic subsidiaries, 65% of the capital stock or other equity interests of its foreign subsidiaries, which includes the Company and certain of its affiliates, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

On March 3, 2003, the Issuers issued $200.0 million principal amount of first-lien senior secured notes due 2010. The notes are fully and unconditionally guaranteed on a joint and several basis by each of the domestic subsidiaries of ON Semiconductor Corporation (other than SCI LLC). The notes and guarantees are secured on a first-priority basis the capital stock or other equity interests of ON Semiconductor’s domestic subsidiaries, 65% of the capital stock or other equity interests of its foreign subsidiaries, which includes the Company, and certain of its affiliates, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

Note 13: Fair Value of Financial Instruments

The Company uses the following methods to estimate the fair values of its financial instruments:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term maturities of such instruments.

Notes Payable to Parent

Due to the related party nature of the notes payable to Parent, it was not practicable to estimate their fair values due to the inability to obtain quoted market prices or determine current market rate for similar instruments. At April 2, 2004 and December 31, 2003 and 2002, the carrying value of the notes payable to Parent was $94.6 million and $104.7 million and $160.3 million, respectively.

Note 14: Supplemental Disclosure of Cash Flow Information

Cash payments for interest and income taxes for the years ended December 31, 2003, 2002 and 2001 are as follows (in millions):

	2003	2002	2001
Cash (received) paid for:			
Interest	$ 7.7	$14.2	$ 13.7
Income taxes	(0.1)	3.2	(10.4)

EXHIBIT 99.3

SCG MALAYSIA HOLDINGS SDN. BHD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
CONSOLIDATED FINANCIAL STATEMENTS

As of December 31, 2003 and 2002 and for the Years Ended December 31, 2003, 2002, and 2001, and as of April 2, 2004 (unaudited) and for the three months ended April 2, 2004 and April 4, 2003 (unaudited)

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholder
of SCG Malaysia Holdings Sdn. Bhd.

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholder's equity and of cash flows present fairly, in all material respects, the financial position of SCG Malaysia Holdings Sdn. Bhd. and its subsidiary (an indirect wholly-owned subsidiary of ON Semiconductor Corporation) at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has extensive transactions and relationships with ON Semiconductor Corporation and its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona
February 2, 2004, except for the
third paragraph of Note 2 for
which the date is February 9, 2004

SCG MALAYSIA HOLDINGS SDN. BHD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
CONSOLIDATED BALANCE SHEET

	December 31, 2003	December 31, 2002	April 2, 2004
	(in millions, except share data)		
ASSETS			
Cash and cash equivalents	$ 10.0	$ 10.7	$ 9.6
Inventories, net	0.8	0.8	1.0
Other current assets	2.5	3.5	2.8
Due from affiliates, net	20.5	17.0	25.6
Deferred income taxes	0.7	0.6	1.0
Total current assets	34.5	32.6	40.0
Property, plant and equipment, net	78.7	103.1	77.0
Income taxes receivable	9.7	10.4	9.4
Deferred income taxes	1.6	—	2.0
Total assets	$ 124.5	$ 146.1	$ 128.4
LIABILITIES AND STOCKHOLDER’S EQUITY			
Accounts payable	$ 9.7	$ 6.1	$ 11.3
Accrued expenses	1.8	1.6	2.8
Total current liabilities	11.5	7.7	14.1
Other long-term liabilities	5.0	4.4	5.0
Notes payable to affiliate	70.0	89.4	70.0
Deferred income taxes	—	1.6	—
Total liabilities	86.5	103.1	89.1
Commitments and contingencies (See Note 10)	—	—	—
Common stock ($0.26 par value, 200,000,000 authorized 147,517,167 shares issued and outstanding)	38.8	38.8	38.8
Additional paid-in capital	14.1	11.9	14.8
Accumulated deficit	(14.9)	(7.7)	(14.3)
Total stockholder’s equity	38.0	43.0	39.3
Total liabilities and stockholder’s equity	$ 124.5	$ 146.1	$ 128.4

See accompanying notes to consolidated financial statements.

SCG MALAYSIA HOLDINGS SDN. BHD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
			(in millions)	(unaudited)	(unaudited)
Sales to affiliates	$ 91.6	$ 89.1	$ 99.1	$ 26.1	$ 26.7
Cost of sales	84.7	78.3	86.5	21.7	21.1
Gross profit	6.9	10.8	12.6	4.4	5.6
Operating expenses:					
General and administrative	6.5	8.0	8.6	2.1	2.0
Restructuring, asset impairment and other, net	4.2	(1.9)	9.4	—	—
Total operating expenses	10.7	6.1	18.0	2.1	2.0
Operating income (loss)	(3.8)	4.7	(5.4)	2.3	3.6
Realized and unrealized foreign currency gains or losses	0.2	(0.4)	(0.3)	—	0.2
Interest expense	(7.4)	(8.3)	(8.7)	(1.8)	(2.1)
Interest income	0.1	0.1	0.3	—	—
Income (loss) before income taxes	(10.9)	(3.9)	(14.1)	0.5	1.7
Income tax benefit	3.7	1.0	3.9	0.1	0.2
Net income (loss)	$ (7.2)	$ (2.9)	$ (10.2)	$ 0.6	$ 1.9

See accompanying notes to consolidated financial statements.

SCG MALAYSIA HOLDINGS SDN. BHD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

	Common Stock (shares)	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Total
		(in millions, except share data)			
Balance at December 31, 2000	147,517,167	$ 38.8	$ 7.2	$ 5.4	$ 51.4
Contributed services by Parent		—	2.8	—	2.8
Comprehensive income (loss):					
Net income (loss)		—	—	(10.2)	(10.2)
Balance at December 31, 2001	147,517,167	38.8	10.0	(4.8)	44.0
Contributed services by Parent		—	1.9	—	1.9
Comprehensive income (loss):					
Net income (loss)		—	—	(2.9)	(2.9)
Balance at December 31, 2002	147,517,167	38.8	11.9	(7.7)	43.0
Contributed services by Parent		—	2.2	—	2.2
Comprehensive income (loss):					
Net income (loss)		—	—	(7.2)	(7.2)
Balance at December 31, 2003	147,517,167	38.8	14.1	(14.9)	38.0
Contributed services by Parent (unaudited)		—	0.7	—	0.7
Comprehensive income (loss) (unaudited):					
Net income (loss) (unaudited)		—	—	0.6	0.6
Balance at April 2, 2004 (unaudited)	147,517,167.0	$ 38.8	$ 14.8	$ (14.3)	$ 39.3

See accompanying notes to consolidated financial statements.

SCG MALAYSIA HOLDINGS SDN. BHD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
				(unaudited)	(unaudited)
			(in millions)		
Cash flows from operating activities:					
Net income (loss)	$ (7.2)	$ (2.9)	$ (10.2)	$ 0.6	$ 1.9
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization	27.2	31.9	32.7	5.7	8.0
Non-cash impairment of property, plant and equipment	4.2	—	0.9	—	—
Non-cash support costs provided by Parent	2.2	1.9	2.8	0.7	0.6
Deferred income taxes	(3.3)	1.5	(3.1)	(0.7)	(0.7)
Other	—	0.2	5.6	(0.2)	—
Changes in assets and liabilities:					
Inventories	—	(0.4)	4.0	(0.2)	—
Other assets	1.0	2.3	1.0	(0.3)	1.2
Due from affiliates	(3.5)	(0.7)	(13.6)	(5.1)	(7.7)
Accounts payable	3.6	(11.3)	3.0	1.6	1.5
Accrued expenses	0.2	(2.2)	0.4	1.0	0.2
Income taxes receivable	0.7	(3.3)	(3.0)	0.3	0.3
Other long-term liabilities	0.6	0.3	(1.0)	—	0.2
Net cash provided by operating activities	25.7	17.3	19.5	3.4	5.5
Cash flows from investing activities:					
Purchases of property, plant and equipment	(7.0)	(8.1)	(47.4)	(3.8)	(1.2)
Proceeds from sales of property, plant and equipment	—	0.1	1.2	—	—
Net cash used in investing activities	(7.0)	(8.0)	(46.2)	(3.8)	(1.2)
Cash flows from financing activities:					
Repayment of borrowings to affiliate	(19.4)	—	(25.0)	—	(5.0)
Net cash used in financing activities	(19.4)	—	(25.0)	—	(5.0)
Net increase (decrease) in cash and cash equivalents	(0.7)	9.3	(51.7)	(0.4)	(0.7)
Cash and cash equivalents, beginning of period	10.7	1.4	53.1	10.0	10.7
Cash and cash equivalents, end of period	$ 10.0	$ 10.7	$ 1.4	$ 9.6	$ 10.0

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Background and Basis of Presentation

SCG Malaysia Holdings Sdn. Bhd. (the “Company” or “SCG Malaysia”) is a wholly-owned subsidiary of Semiconductor Components Industries, LLC (“SCI LLC” or “Parent”), which is a wholly-owned subsidiary of ON Semiconductor Corporation (“ON Semiconductor”.) The Company and its wholly-owned subsidiary, SCG Industries Malaysia Sdn. Bhd., are located in Seremban, Malaysia and are engaged in the manufacture of semiconductor products. Formerly known as the Semiconductor Components Group of the Semiconductor Products Sector of Motorola, Inc., ON Semiconductor was a wholly-owned subsidiary of Motorola Inc. (“Motorola”) prior to its August 4, 1999 recapitalization (the “Recapitalization”). ON Semiconductor continues to hold, through direct and indirect subsidiaries, substantially all the assets and operations of the Semiconductor Components Group of Motorola’s Semiconductor Products Sector. The Company was capitalized by the issuance of 147,517,167 shares of common stock to SCI LLC in connection with the Recapitalization.

SCI LLC incurs certain manufacturing and information technology support costs that directly benefit its various manufacturing affiliates including the Company. Although such costs are not recorded in the Company’s local statutory accounts and are not deductible for local tax purposes, they have been allocated to the Company and reflected in the accompanying consolidated financial statements as cost of sales with an offsetting capital contribution from SCI LLC. The allocations utilized in arriving at the amounts reflected in the accompanying consolidated financial statements are based on assumptions that management believes are reasonable in the circumstances; however, such allocations are not necessarily indicative of the costs that would have been incurred by the Company had it operated as a stand-alone entity.

The accompanying unaudited financial statements as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company’s management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables, and deferred tax assets; accruals for customer incentives, warranties, and restructuring charges, inventory writedowns and pension obligations; the fair values of financial instruments (including derivative financial instruments); and future cash flows associated with long-lived assets. Actual results could differ from these estimates. Certain prior period amounts have been revised to conform to the current period presentation. These changes had no impact on previously reported net loss or stockholders’ deficit.

Note 2: Liquidity

During the quarter ended April 2, 2004, ON Semiconductor incurred a net loss of $47.6 million compared to a net loss of $50.5 million for the quarter ended April 4, 2003. ON Semiconductor’s net loss included net charges from restructuring, asset impairments and other, net of $13.1 million for the quarter ended April 2, 2004. ON Semiconductor’s net loss for the first quarter of 2004 also included a charge of $33.0 million for loss on debt prepayment. ON Semiconductor’s net loss for the first quarter of 2003 included a charge of $21.5 million relating to a change in accounting principle and $3.5 million for loss on debt prepayment. Net cash provided by operating activities was $32.8 million for the quarter ended April 2, 2004, as compared $4.6 million for the quarter ended April 4, 2003.

At April 2, 2004, ON Semiconductor had $221.4 million in cash and cash equivalents, net working capital of $250.8 million, term and revolving debt of $1,141.2 million in the aggregate and a stockholders' deficit of $463.1 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $124.7 million (net of discount) of its 12% first lien senior secured notes due 2010; $190.4 million (net of discount) of its 13% second lien senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $143.4 million under its 10% junior subordinated note due 2011; $23.0 million under a note payable to a Japanese bank due 2010; $66.8 million under loan facilities with Chinese banks; and $12.8 million under capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements as of April 2, 2004 and expects to remain in compliance over the next twelve months.

In February 2004, ON Semiconductor completed a public offering of common stock resulting in net proceeds of $226.7 million. The net proceeds were used to redeem $70.0 million principal amount of ON Semiconductor's 13% senior secured notes due 2010 and $105.0 million principal amount of the 12% senior secured notes due 2008 at a redemption price of 112% of the principal amount of such notes. The remaining proceeds will be used for general corporate purposes.

During the year ended December 31, 2003, ON Semiconductor incurred a net loss of $166.7 million compared to net losses of $141.9 million and $831.4 million in 2002 and 2001, respectively. ON Semiconductor's net results included restructuring, asset impairments and other, net of $61.2 million, $27.7 million and $150.4 million in 2003, 2002 and 2001, respectively, as well as interest expense of $151.1 million, $152.5 million and $143.6 million, respectively. ON Semiconductor's operating activities provided cash of $45.7 million in 2003 and $46.4 million in 2002 and used cash of $116.4 million in 2001.

At December 31, 2003, ON Semiconductor had $186.6 million in cash and cash equivalents, net working capital of $212.5 million, term or revolving debt of $1,302.9 million and a stockholders' deficit of $644.6 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $191.6 million (net of discount) of its 13% senior secured notes due 2010; $292.6 million (net of discount) of its 12% senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $139.9 million under a 10% junior subordinated note payable to Motorola due 2011; $48.0 million under a loan facility with a Chinese bank due 2013; $24.3 million under a note payable to a Japanese bank due 2010; $20.0 million under a loan facility with a Chinese bank due 2007; and $6.4 million under a capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements at December 31, 2003 and expects to remain in compliance over the next twelve months.

ON Semiconductor's ability to service its long-term debt, to remain in compliance with the various covenants and restrictions contained in its credit agreements and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may beyond its control.

If ON Semiconductor fails to generate sufficient cash from operations, it may need to raise additional equity or borrow additional funds to achieve its longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to ON Semiconductor. Management believes that cash flow from operating activities coupled with existing cash balances will be adequate to fund ON Semiconductor's operating and capital needs as well as enable it to maintain compliance with its various debt agreements through December 31, 2004. To the extent that results or events differ from ON Semiconductor's financial projections or business plans, the Company's liquidity may be adversely impacted.

Note 3: Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary. All material intercompany accounts and transactions have been eliminated.

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to inventories; restructuring charges and pension obligations; future cash flows associated with long-lived assets; and, the fair values of financial instruments. Actual results could differ from these estimates.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Inventories

Inventories consist of raw materials and are stated at the lower of standard cost (which approximates actual cost on a first-in, first-out basis), or market.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over useful lives of 30-40 years for buildings and 3-20 years for machinery and equipment using straight-line and accelerated methods. Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the related carrying amount of an asset may not be recoverable. Impairment is assessed when the undiscounted expected cash flows derived for an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which the Company operates and the resulting assumptions used to estimate future cash flows impact the outcome of these impairment tests.

Revenue Recognition

The Company recognizes revenue when assembly and test services are completed on inventory consigned in from affiliates and the related products are shipped to the affiliated company. Revenues include the cost of wafers purchased from third-parties and the cost of assembly and test services performed plus a markup based on an intercompany transfer pricing agreement.

Stock-Based Compensation

The Company accounts for employee stock options relating to the common stock of ON Semiconductor in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations (“APB 25”) and provides the pro forma disclosures required by SFAS No. 123 “Accounting for Stock Based Compensation” (“SFAS No. 123”). The Company measures compensation expense relating to non-employee stock awards in accordance with SFAS No. 123.

Had the Company determined employee stock compensation expense in accordance with SFAS No. 123, the Company's net income (loss) for the years ended December 31, 2003, 2002 and 2001 and the quarters ended April 2, 2004 and April 4, 2003 would have been reduced (increased) to the pro forma amounts indicated below (in millions):

	Year Ended December 31,			Quarter Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
Net income (loss), as reported	$ (7.2)	$ (2.9)	$ (10.2)	$ 0.6	$ 1.9
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.5)	(0.6)	(0.7)	(0.2)	(0.1)
Pro forma net income (loss)	$ (7.7)	$ (3.5)	$ (10.9)	$ 0.4	$ 1.8

The fair value of each option grant has been estimated at the date of grant while the fair value of the discount on the shares sold under ON Semiconductor's 2000 Employee Stock Purchase Plan has been estimated at the beginning of each of the respective offering periods, both using a Black-Scholes option-pricing model with the following weighted-average assumptions:

				Quarter Ended	
Employee Stock Options	2003	2002	2001	April 2, 2004	April 4, 2003
Expected life (in years)	5	5	5	5	5
Risk-free interest rate	3.09%	4.40%	4.81%	3.21%	3.07%
Volatility	0.72	0.70	0.70	0.70	0.70

				Quarter Ended	
Employee Stock Purchase Plan	2003	2002	2001	April 2, 2004	April 4, 2003
Expected life (in years)	0.25	0.25	0.25	0.25	0.25
Risk-free interest rate	1.08%	1.70%	4.26%	0.95%	1.22%
Volatility	0.82	0.70	0.70	0.60	0.70

The weighted-average estimated fair value of employee stock options granted during 2003, 2002 and 2001 was $0.94, $1.98 and $3.18 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan during 2003, 2002 and 2001 was $0.61, $0.59 and $1.09, respectively.

The weighted-average estimated fair value of employee stock options granted during the first quarter of 2004 and 2003 was $4.22 and $0.76 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan during the first quarter of 2004 and 2003 was $1.64 and $0.37, respectively.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized.

Foreign Currencies

The Company utilizes the U.S. dollar as its functional currency. The net effects of gains and losses from foreign currency transactions and from the translation of foreign currency financial statements into U.S. dollars are included in current operations.

Related Party Transactions

The Company has extensive transactions and relationships with ON Semiconductor and its affiliates including intercompany pricing agreements and certain manufacturing and information technology support agreements. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Defined Benefit Plans

The Company maintains pension plans covering certain of its employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management’s judgment, considering all known trends and uncertainties. Actual results that differ from these assumptions would impact the future expense recognition and cash funding requirements of our pension plans.

Reclassifications

Certain amounts have been reclassified to conform with the current year presentation.

Contingencies

The Company is involved in a variety of legal matters that arise in the normal course of business. Based on information available, management evaluates the relevant range and likelihood of potential outcomes. In accordance with SFAS No. 5, “Accounting for Contingencies”, the Company records the appropriate liability when the amount is deemed probable and estimable.

Recent Accounting Pronouncements

The Company adopted FASB Interpretation No. 46 (“FIN No. 46), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51”. FIN No. 46 requires that certain variable interest entities (VIE’s) be consolidated by the primary beneficiary, as that term is defined in FIN No. 46. The adoption of FIN No. 46 did not impact the Company’s financial condition or results of operations.

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact the Company’s financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity”. SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer’s equity shares by transferring assets, and certain obligations to issue a variable number of shares. The Company’s adoption of SFAS No. 150 did not impact its financial condition or results of operations.

In December 2003, the FASB issued SFAS No. 132, “Employers’ Disclosures about Pensions and Other Postretirement Benefits (revised 2003)”. SFAS No. 132 revises employers’ disclosures about pension plans and other postretirement benefit plans. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132, which also requires new disclosures for interim periods beginning after December 15, 2003, is effective for fiscal years ending after December 15, 2003, except for certain disclosures associated with foreign plans which are required for years ended after June 15, 2004. The Company has included the required disclosures in Note 7 “Employee Benefit Plans”.

Note 4: Property, Plant and Equipment

Property, plant and equipment consists of the following at December 31, 2003 and 2002 and April 2, 2004 (in millions):

	December 31,		April 2, 2004
	2003	2002	(unaudited)
Property, plant and equipment, net:			
Buildings	$ 46.8	$ 46.6	$ 47.2
Machinery and equipment	244.0	243.9	247.0
Total property, plant and equipment	290.8	290.5	294.2
Less: Accumulated depreciation	(212.1)	(187.4)	(217.2)
	$ 78.7	$ 103.1	$ 77.0

Depreciation expense totaled $27.2 million, $31.9 million and $32.7 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 5: Notes Payable to Affiliate

In conjunction with the Recapitalization, the Company entered into notes payable with an affiliate totaling $114.4 million. Borrowings under the notes payable bear interest at 9.3% (payable monthly) and are due July 31, 2011. As of December 31, 2003 and 2002, $70.0 million and $89.4 million were outstanding under these notes payable. During 2003 the Company repaid $19.4 million of the note payable, resulting in $70.0 million outstanding at December 31, 2003.

Cash paid for interest was $7.4 million, $8.7 million and $8.4 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 6: Income Taxes

The income tax benefit is as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
Current	$ (0.3)	$ (2.6)	$ (0.8)
Deferred	(3.4)	1.6	(3.1)
	$ (3.7)	$ (1.0)	$ (3.9)

A reconciliation of the Malaysian statutory income tax rate to the Company's effective income tax is as follows:

	Year Ended December 31,		
	2003	2002	2001
Malaysian statutory rate	(28.0)%	(28.0)%	(28.0)%
Increase (decrease) resulting from:			
Reinvestment allowances	—	—	(9.6)
Non-deductible corporate expense allocation	5.7	22.6	3.0
Income taxes of prior years	(4.2)	(35.9)	0.4
Foreign currency remeasurement	0.6	14.0	6.7
Other	(8.0)	1.7	(0.2)
	(33.9)%	(25.6)%	(27.7)%

Deferred tax assets (liabilities) at December 31, 2003 and 2002 are as follows (in millions):

	Year Ended December 31,	
	2003	2002
Reserves and accruals	$ 0.3	$ 0.3
Property, plant and equipment	0.3	(2.9)
Other	1.7	1.6
Net deferred tax asset (liability)	$ 2.3	$ (1.0)

For the year ended December 31, 2003, income tax refunds totaling $1.1 million were received. Cash paid for income taxes was $0.8 million and $2.2 million for the years ended December 31, 2002 and 2001, respectively.

Long-term income tax receivables totaled $9.7 million and $10.4 million at December 31, 2003 and 2002, respectively, relating to tax credits due to the Company under Section 110 of the Malaysian income tax system.

Note 7: Employee Benefit Plans

The Company has a noncontributory pension plan that covers most employees. The benefit formula is dependent upon employee earnings and years of service. The Company's policy is to fund the plan in accordance with the requirements and regulations of Malaysian labor laws. Benefits under the pension plan are valued using the projected unit credit method. The Company contributes to the pension plan to the extent necessary to pay plan benefits.

In 2003, the Company changed its method of accounting for unrecognized net actuarial gains or losses relating to its defined benefit pension obligations. Historically, the Company amortized its net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. The Company no longer defers actuarial gains or losses but will recognize such gains and losses during the fourth quarter of each year, which is the period the Company's annual pension plan actuarial valuations are prepared with a measurement date of December 31. Management believes that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred. This change did not have a material impact on the Company.

	December 31,		
	2003	2002	2001
Service cost	$ 0.4	$ 0.4	$ 0.5
Interest cost	0.3	0.2	0.3
Translation loss	0.1	—	—
Curtailment gain	—	—	(0.3)
Total net periodic pension cost	$ 0.8	$ 0.6	$ 0.5
Weighted average assumptions			
Discount rate	5.50%	5.50%	7.00%
Rate of compensation increase	5.50%	5.50%	7.00%

	December 31,	
	2003	2002
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	$ 4.6	$ 4.1
Service cost	0.4	0.4
Interest cost	0.3	0.2
Actuarial (gain) or loss	(0.1)	0.2
Benefits paid	(0.2)	(0.3)
Projected benefit obligation at the end of the year	$ 5.0	$ 4.6
Accumulated benefit obligation at the end of the year	$ 4.5	$ 4.1
Change in plan assets		
Fair value of plan assets at the beginning of the year	$ —	$ —
Benefits paid	(0.2)	(0.3)
Employer contributions	0.2	0.3
Fair value of plan assets at the end of the year	$ —	$ —
Net amount recognized		
Funded status	$ (5.0)	$ (4.6)
Unrecognized net (gain) or loss	—	0.2
Net amount recognized	$ (5.0)	$ (4.4)
Amounts recognized in the statement of financial position:		
Other long-term liabilities	$ (5.0)	$ (4.4)
Weighted average assumptions at the end of the year		
Discount rate	5.50%	5.50%
Rate of compensation increase	5.50%	5.50%

As of April 2, 2004 and December 31, 2003, the total accrued pension liability was $5.0 million and $5.0 million, respectively. The components of our net periodic pension expense for the three months ended April 2, 2004 and April 4, 2003 are as follows (in millions):

	Quarter Ended	
	April 2, 2004	April 4, 2003
Service cost	$ —	$ 0.1
Interest cost	0.1	0.1
Translation loss	—	—
Curtailment gain	—	—
Total net periodic pension costs	$ 0.1	$ 0.2

Effective December 31, 2003, the Company's defined benefit plan was frozen and associated benefits are no longer being accrued. Employees participating in the defined benefit plan on December 31, 2003 were transferred into a new defined contribution plan that was established on January 1, 2004. The original plan will be maintained until the participating employees retire or otherwise terminate their employment with the Company and associated benefit obligations are paid.

Note 8: Foreign Currency Exchange Contracts

The Company’s foreign currency exposures are included in ON Semiconductor’s worldwide foreign currency exposure management program. ON Semiconductor aggregates the forecasted foreign currency exposures for each of its subsidiaries on a monthly basis and enters into forward currency contracts in order to reduce its overall exposure to the effects of currency fluctuations on its results of operations and cash flows. The Company's net foreign currency transaction losses included in the accompanying consolidated statement of operations for the years ended December 31, 2003, 2002 and 2001 are $0.8 million, $0.0 million and $0.2 million, respectively.

Note 9: Fair Value of Financial Instruments

The Company uses the following methods to estimate the fair values of its financial instruments:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term maturities of such instruments.

Notes Payable to Affiliates

Due to the related party nature of the notes payable to affiliates, it was not practicable to estimate their fair values due to the inability to obtain quoted market prices or determine current market rate for similar instruments. At December 31, 2003 and 2002, the carrying values of the notes payable to affiliates were $70.0 million and $89.4 million, respectively.

Note 10: Commitments and Contingencies

Legal Matters

ON Semiconductor is currently involved in a variety of legal matters that arose in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters will have a material adverse effect on ON Semiconductor's financial condition, results of operations or cash flows.

Common Stock Collateral Pledge

On May 6, 2002, ON Semiconductor and SCI LLC (collectively, the "Issuers") issued $300 million principal amount of second lien notes due in 2008. The notes are jointly and severally, fully and unconditionally guaranteed on a senior basis by ON Semiconductor's domestic restricted subsidiaries that are guarantors under its senior subordinated notes. In addition, the notes and guarantees are secured on a second priority basis by the capital stock or other equity interests of ON Semiconductor's domestic subsidiaries, 65% of the capital stock or other equity interests of its foreign subsidiaries, which includes the Company and certain of its affiliates, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

On March 3, 2003, the Issuers issued $200.0 million principal amount of first-lien senior secured notes due 2010. The notes are fully and unconditionally guaranteed on a joint and several basis by each of the domestic subsidiaries of ON Semiconductor (other than SCI LLC). The notes and guarantees are secured on a first-priority basis by the capital stock or other equity interests of ON Semiconductor's domestic subsidiaries, 65% of the capital stock or other equity interests of its foreign subsidiaries, which includes the Company and certain of its affiliates, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

Note 11: Restructuring, Asset Impairments and Other, Net

June 2003

In June of 2003, the Company recorded a non-cash asset impairment charge totaling $4.2 million. The charge included $3.3 million associated with the assembly and test production line which was written down to fair value based on its future discounted cash flows. Additionally, the Company identified certain machinery and equipment that would no longer be utilized and recorded a charge of $0.9 million to write-down the remaining carrying value of these assets to their net realizable value.

June 2001

In June 2001, the Company recorded charges totaling $5.9 million for costs associated with its restructuring programs. These programs were in response to rapidly changing economic circumstances requiring the Company to rationalize its manufacturing operations to meet declining customer demand. The programs included the transfer of certain manufacturing operations at the Company's facility to other ON Semiconductor-owned facilities or to third party contractors by December 2001. The charge included $4.4 million to cover employee separation costs associated with the termination of approximately 700 employees. All impacted employees had been terminated and the Company released the remaining $1.7 million reserve to income during the second quarter of 2002.

The planned discontinuation of certain manufacturing activities triggered an impairment analysis of the carrying value of the related assets and resulted in the Company recording asset impairment charges totaling $0.9 million. This charge included $0.9 million related to the Seremban assembly and test facility.

The June 2001 charge also included $0.6 million to cover certain exit costs relating facility closure. All facility closure activities were completed and the Company released the remaining $0.2 million reserve to income during the third quarter of 2002.

March 2001

In March 2001, the Company recorded charges totaling $3.5 to cover employee separation costs associated with the termination of approximately 350 employees. The employee separation costs reflected further reductions in manufacturing, general and administrative staffing levels in Malaysia. All impacted employees were terminated under this restructuring program.

Note 12: Stock Options

Certain employees of the Company participate in ON Semiconductor stock option plans.

Generally, the options granted under these plans vest over a period of four years. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

Information with respect to the activity of the stock option plans as it relates to the employees of the Company is as follows (in millions, except per share data):

	2003		2002		2001	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	0.7	$ 6.12	0.6	$ 6.94	0.5	$ 8.00
Grants	0.2	1.47	0.2	3.24	0.2	5.14
Exercises	(0.1)	1.69	—	—	—	—
Cancellations	(0.1)	5.76	(0.1)	5.38	(0.1)	12.08
Outstanding at end of year	0.7	$ 5.24	0.7	$ 6.12	0.6	$ 6.94
Exercisable at end of year	0.3	$ 7.88	0.3	$ 8.17	0.1	$ 1.57
Weighted average fair value of options granted during the period		$ 0.94		$ 1.98		$ 3.18

The following tables summarize options outstanding and options exercisable at December 31, 2003:

	Outstanding Options		
Range of Exercise Prices	**Number Shares**	**Weighted Average Contractual Life (in years)**	**Weighted Average Exercise Price**
$ 1.25-$ 1.50	0.3	7.80	$ 1.35
$ 2.71-$ 4.26	0.2	8.04	3.33
$ 5.23-$ 6.95	0.1	7.33	6.16
$13.06-$16.00	0.1	6.33	15.99
Totals	0.7		5.24

	Exercisable Options		
Range of Exercise Prices	**Number Shares**	**Weighted Average Contractual Life (in years)**	**Weighted Average Exercise Price**
$ 1.25-$ 1.50	0.1	5.69	$ 1.50
$ 2.71-$ 4.26	0.1	7.90	3.43
$ 5.23-$ 6.95	—	7.16	6.14
$13.06-$16.00	0.1	6.33	15.99
Totals	0.3		7.88

These options will expire if not exercised at specific dates through December 2013.

Eligible employees also participate in ON Semiconductor’s 2000 Employee Stock Purchase Plan. Subject to local legal requirements, each of the Company’s full-time employees has the right to elect to have up to 10% of their payroll applied towards the purchase of shares of ON Semiconductor common stock at a price equal to 85% of the fair market value of such shares as determined under the plan. During each quarterly offering period, employees may not purchase stock exceeding the lesser of (i) 500 shares, or (ii) the number of shares equal to $6,250 divided by the fair market value of the stock on the first day of the offering period. During 2003, 2002 and 2001, employees purchased approximately 117,000, 185,000 and 89,000 shares under the plan, respectively.

SCG PHILIPPINES, INCORPORATED
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
FINANCIAL STATEMENTS

As of December 31, 2003 and 2002 and for the Years Ended December 31, 2003, 2002, and 2001, and as of April 2, 2004 (unaudited) and for the three months ended April 2, 2004 and April 4, 2003 (unaudited)

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholder
of SCG Philippines, Incorporated

In our opinion, the accompanying balance sheet and the related statements of operations, of stockholder's equity and of cash flows present fairly, in all material respects, the financial position of SCG Philippines, Incorporated (an indirect wholly-owned subsidiary of ON Semiconductor Corporation) at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has extensive transactions and relationships with ON Semiconductor Corporation and its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona
February 2, 2004, except for
the third paragraph of Note 2 for
which the date is February 9, 2004

SCG PHILIPPINES, INCORPORATED
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
BALANCE SHEET

	December 31, 2003	December 31, 2002	April 2, 2004 (unaudited)
	(in millions)		
ASSETS			
Cash and cash equivalents	$ 3.0	$ 4.6	$ 11.8
Other current assets	1.5	2.4	1.8
Due from affiliates	15.0	7.0	8.5
Total current assets	19.5	14.0	22.1
Property, plant and equipment, net	24.8	31.0	23.9
Income taxes receivable	0.5	—	—
Other assets	0.3	0.3	0.3
Total assets	$ 45.1	$ 45.3	$ 46.3
LIABILITIES AND STOCKHOLDER’S EQUITY			
Accounts payable	$ 3.0	$ 2.6	$ 3.0
Accrued expenses	0.5	0.5	0.6
Due to affiliates	0.1	0.2	0.1
Income taxes payable	—	0.4	0.3
Deferred income taxes	0.2	—	—
Total current liabilities	3.8	3.7	4.0
Other long-term liabilities	0.3	0.2	0.5
Deferred income taxes	0.4	0.6	0.5
Total liabilities	4.5	4.5	5.0
Commitments and contingencies (See Note 10)	—	—	—
Common stock	69.1	68.2	69.3
Accumulated deficit	(28.5)	(27.4)	(28.0)
Total stockholder’s equity	40.6	40.8	41.3
Total liabilities and stockholder’s equity	$ 45.1	$ 45.3	$ 46.3

The accompanying notes are an integral part of these financial statements.

SCG PHILIPPINES, INCORPORATED
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
STATEMENT OF OPERATIONS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
				(unaudited)	(unaudited)
			(in millions)		
Sales to affiliates	$31.7	$34.1	$ 32.4	$ 8.3	$ 11.6
Cost of sales to affiliates	29.0	31.3	27.6	6.5	9.2
Gross profit	2.7	2.8	4.8	1.8	2.4
Operating expenses:					
General and administrative	2.6	2.7	3.7	0.6	0.7
Restructuring, asset impairments and other, net	0.1	2.3	2.1	—	—
Total operating expenses	2.7	5.0	5.8	0.6	0.7
Operating income (loss)	—	(2.2)	(1.0)	1.2	1.7
Interest income	—	0.1	0.2	0.1	—
Interest expense	—	—	(0.2)	—	—
Realized and unrealized foreign currency gains or losses	(0.1)	0.3	—	—	0.1
Income (loss) before income taxes	(0.1)	(1.8)	(1.0)	1.3	1.8
Income tax benefit (provision)	(1.0)	(1.4)	1.0	(0.8)	(0.9)
Net income (loss)	$ (1.1)	$ (3.2)	$ —	$ 0.5	$ 0.9

The accompanying notes are an integral part of these financial statements.

SCG PHILIPPINES, INCORPORATED
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
STATEMENT OF STOCKHOLDER'S EQUITY

	Common Stock	Accumulated Deficit	Total
		(in millions)	
Balance at December 31, 2000	$ 66.3	$ 2.4	$ 68.7
Contributed services by Parent	1.1	—	1.1
Dividends paid	—	(20.6)	(20.6)
Comprehensive income (loss):			
Net income (loss)	—	—	—
Balance at December 31, 2001	67.4	(18.2)	49.2
Contributed services by Parent	0.8	—	0.8
Dividends paid	—	(6.0)	(6.0)
Comprehensive income (loss):			
Net income (loss)	—	(3.2)	(3.2)
Balance at December 31, 2002	68.2	(27.4)	40.8
Contributed services by Parent	0.9	—	0.9
Comprehensive income (loss):			
Net income (loss)	—	(1.1)	(1.1)
Balance at December 31, 2003	69.1	(28.5)	40.6
Contributed services by Parent (unaudited)	0.2	—	0.2
Comprehensive income (loss) (unaudited):			
Net income (loss) (unaudited)	—	0.5	0.5
Balance at April 2, 2004 (unaudited)	$ 69.3	$ (28.0)	$ 41.3

The accompanying notes are an integral part of these financial statements.

SCG PHILIPPINES, INCORPORATED
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)
STATEMENT OF CASH FLOWS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
				(unaudited)	(unaudited)
			(in millions)		
Cash flows from operating activities:					
Net income (loss)	$ (1.1)	$ (3.2)	$ (0.0)	$ 0.5	$ 0.9
Adjustments to reconcile net loss to net cash provided by operating activities:					
Depreciation and amortization	7.2	10.0	10.9	0.9	2.7
Write-off of receivable from Motorola	—	2.3	—	—	—
Non-cash impairment write-down of property, plant and equipment	0.1	—	0.6	—	—
Non-cash support costs provided by Parent	0.9	0.8	1.1	0.2	0.2
Deferred income taxes	—	—	(1.0)	(0.1)	(0.3)
Other	0.4	(0.6)	1.0	—	0.1
Changes in assets and liabilities:					
Income taxes receivable	(0.5)	0.4	(0.4)	0.5	—
Other assets	(0.0)	2.8	(0.4)	(0.3)	0.3
Due from affiliates	(8.0)	(4.1)	(2.8)	6.5	(4.7)
Accounts payable	0.4	(0.3)	(1.4)	—	0.9
Accrued expenses	—	0.2	(1.6)	0.1	(0.1)
Due to affiliates	(0.1)	(0.1)	0.2	—	(0.1)
Income taxes payable	(0.4)	0.4	—	0.3	1.2
Other long-term liabilities	0.1	0.1	0.1	0.2	0.3
Net cash provided by (used in) operating activities	(1.0)	8.7	6.3	8.8	1.4
Cash flows from investing activities:					
Purchases of property, plant and equipment	(0.6)	(1.6)	(1.5)	—	(0.1)
Net cash used in investing activities	(0.6)	(1.6)	(1.5)	—	(0.1)
Cash flows from financing activities:					
Payment of dividends	—	(6.0)	(20.6)	—	—
Net cash used in financing activities	—	(6.0)	(20.6)	—	—
Net increase (decrease) in cash and cash equivalents	(1.6)	1.1	(15.8)	8.8	1.3
Cash and cash equivalents, beginning of period	4.6	3.5	19.3	3.0	4.6
Cash and cash equivalents, end of period	$ 3.0	$ 4.6	$ 3.5	$ 11.8	$ 5.9

The accompanying notes are an integral part of these financial statements.

Note 1: Background and Basis of Presentation

SCG Philippines, Incorporated (the "Company") is a wholly-owned subsidiary of Semiconductor Components Industries, LLC ("SCI LLC" or "Parent"), which is a wholly-owned subsidiary of ON Semiconductor Corporation ("ON Semiconductor"). The Company is located in Carmona, Philippines and is engaged in the manufacture of semiconductor products. Formerly known as the Semiconductor Components Group of the Semiconductor Products Sector of Motorola, Inc., ON Semiconductor was a wholly-owned subsidiary of Motorola Inc. ("Motorola") prior to its August 4, 1999 recapitalization (the "Recapitalization"). ON Semiconductor continues to hold, through direct and indirect subsidiaries, substantially all the assets and operations of the Semiconductor Components Group of Motorola's Semiconductor Products Sector. The Company's common stock consists of 3,000,000 authorized shares, 2,250,000 shares of which were issued to SCI LLC in connection with the Recapitalization and remain outstanding.

SCI LLC incurs certain manufacturing and information technology support costs that directly benefit its various manufacturing affiliates including the Company. Although such costs are not recorded in the Company's local statutory accounts and are not deductible for local tax purposes, they have been allocated to the Company and reflected in the accompanying financial statements as cost of sales with an offsetting capital contribution from SCI LLC. The allocations utilized in arriving at the amounts reflected in the accompanying financial statements are based on assumptions that management believes are reasonable in the circumstances; however, such allocations are not necessarily indicative of the costs that would have been incurred by the Company had it operated as a stand-alone entity.

The accompanying unaudited financial statements as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables, and deferred tax assets; accruals for customer incentives, warranties, and restructuring charges, inventory writedowns and pension obligations; the fair values of financial instruments (including derivative financial instruments); and future cash flows associated with long-lived assets. Actual results could differ from these estimates. Certain prior period amounts have been revised to conform to the current period presentation. These changes had no impact on previously reported net loss or stockholders' deficit.

Note 2: Liquidity

During the quarter ended April 2, 2004, ON Semiconductor incurred a net loss of $47.6 million compared to a net loss of $50.5 million for the quarter ended April 4, 2003. ON Semiconductor's net loss included net charges from restructuring, asset impairments and other, net of $13.1 million for the quarter ended April 2, 2004. ON Semiconductor's net loss for the first quarter of 2004 also included a charge of $33.0 million for loss on debt prepayment. ON Semiconductor's net loss for the first quarter of 2003 included a charge of $21.5 million relating to a change in accounting principle and $3.5 million for loss on debt prepayment. Net cash provided by operating activities was $32.8 million for the quarter ended April 2, 2004, as compared $4.6 million for the quarter ended April 4, 2003.

At April 2, 2004, ON Semiconductor had $221.4 million in cash and cash equivalents, net working capital of $250.8 million, term and revolving debt of $1,141.2 million in the aggregate and a stockholders' deficit of $463.1 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $124.7 million (net of discount) of its 12% first lien senior secured notes due 2010; $190.4 million (net of discount) of its 13% second lien senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $143.4 million under its 10% junior subordinated note due 2011; $23.0 million under a note payable to a Japanese bank due 2010; $66.8 million under loan facilities with Chinese banks; and $12.8 million under capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements as of April 2, 2004 and expects to remain in compliance over the next twelve months.

In February 2004, ON Semiconductor completed a public offering of common stock resulting in net proceeds of $226.7 million. The net proceeds were used to redeem $70.0 million principal amount of ON Semiconductor's 13% senior secured notes due 2010 and $105.0 million principal amount of the 12% senior secured notes due 2008 at a redemption price of 112% of the principal amount of such notes. The remaining proceeds will be used for general corporate purposes.

During the year ended December 31, 2003, ON Semiconductor incurred a net loss of $166.7 million compared to net losses of $141.9 and $831.4 million in 2002 and 2001, respectively. ON Semiconductor's net results included restructuring, asset impairments and other, net of $61.2 million, $27.7 million and $150.4 million in 2003, 2002 and 2001, respectively, as well as interest expense of $151.1 million $152.5 million and $143.6 million, respectively.

ON Semiconductor's operating activities provided cash of $45.7 in 2003 and $46.4 million in 2002 and used cash of $116.4 million in 2001.

At December 31, 2003, ON Semiconductor had $186.6 million in cash and cash equivalents, net working capital of $212.5 million, term or revolving debt of $1,302.9 million and a stockholders' deficit of $644.6 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $191.6 million (net of discount) of its 13% senior secured notes due 2010; $292.6 million (net of discount) of its 12% senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $139.9 million under a 10% junior subordinated note payable to Motorola due 2011; $48.0 million under a loan facility with a Chinese bank due 2013; $24.3 million under a note payable to a Japanese bank due 2010; $20.0 million under a loan facility with a Chinese bank due 2006; and $6.4 million under a capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements at December 31, 2003 and expects to remain in compliance over the next twelve months.

ON Semiconductor's ability to service its long-term debt, to remain in compliance with the various covenants and restrictions contained in its credit agreements and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond its control.

If ON Semiconductor fails to generate sufficient cash from operations, it may need to raise additional equity or borrow additional funds to achieve its longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to ON Semiconductor. Management believes that cash flow from operating activities coupled with existing cash balances will be adequate to fund ON Semiconductor's operating and capital needs as well as enable it to maintain compliance with its various debt agreements through December 31, 2004. To the extent that results or events differ from ON Semiconductor's financial projections and business plans, the Company's liquidity may be adversely impacted.

Note 3: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables; restructuring charges and pension obligations; and future cash flows associated with long-lived assets. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of such instruments.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives of 30-40 years for buildings and 3-20 years for machinery and equipment using accelerated and straight-line methods. Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred.

When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the related carrying amount of an asset may not be recoverable. Impairment is assessed when the undiscounted expected cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which the Company operates and the resulting assumptions used to estimate future cash flows impact the outcome of these impairment tests.

Revenue Recognition

The Company recognizes revenue when assembly and test services are completed on inventory consigned in from affiliates and the related products are shipped to the affiliated company. Revenues include the cost of assembly and test services performed plus a markup based on an intercompany transfer pricing agreement.

Stock-Based Compensation

The Company accounts for employee stock options relating to the common stock of ON Semiconductor in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related interpretations (“APB 25”) and provides the pro forma disclosures required by Statement of Financial Accounting Standards (“SFAS”) No. 123 “Accounting for Stock Based Compensation”. The Company measures compensation expense relating to non-employee stock awards in accordance with SFAS No. 123.

Had the Company determined employee stock compensation expense in accordance with SFAS No. 123, the Company’s net loss for 2003, 2002, and 2001 would have been increased to the pro forma amounts indicated below (in millions):

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
Net loss, as reported	$ (1.1)	$ (3.2)	$ (0.0)	$ 0.5	$ 0.9
Less: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.3)	(0.3)	(0.2)	(0.1)	(0.1)
Pro forma net income (loss)	$ (1.4)	$ (3.5)	$ (0.2)	$ 0.4	$ 0.8

The fair value of each option grant has been estimated at the date of grant while the fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan has been estimated at the beginning of each of the respective offering periods, both using a Black-Scholes option-pricing model with the following weighted-average assumptions:

				Three Months Ended	
Employee Stock Options	**2003**	**2002**	**2001**	**April 2, 2004**	**April 4, 2003**
Expected life (in years)	5	5	5	5	5
Risk-free interest rate	3.11%	4.35%	4.93%	3.18%	3.07%
Volatility	0.89	0.70	0.70	0.70	0.70

				Three Months Ended	
Employee Stock Purchase Plan	**2003**	**2002**	**2001**	**April 2, 2004**	**April 4, 2003**
Expected life (in years)	0.25	0.25	0.25	0.25	0.25
Risk-free interest rate	1.09%	1.68%	4.26%	0.95%	1.22%
Volatility	0.80	0.70	0.70	0.60	0.70

The weighted-average estimated fair value of employee stock options granted during 2003, 2002 and 2001 was $2.73, $1.94 and $3.26 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under ON Semiconductor's 2000 Employee Stock Purchase Plan during 2003, 2002 and 2001 was $0.58, $0.51 and $1.11 per share, respectively.

The weighted-average estimated fair value of employee stock option grants during the first three months of 2004 and 2003 were $4.23 and $0.76 per share, respectively. The weighted-average estimated fair value of the discount on the shares sold under the 2000 Employee Stock Purchase Plan during the first three months of 2004 and 2003 was $1.63 and $0.37, respectively.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized.

Foreign Currencies

The Company utilizes the U.S. dollar as its functional currency. The net effects of gains and losses from foreign currency transactions and from the translation of foreign currency financial statements into U.S. dollars are included in current operations.

Defined Benefit Plan

The Company has a defined benefit pension plan that covers most of its employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management's judgment, considering all known trends and uncertainties. Actual results that differ from these assumptions would impact the future expense recognition and cash funding requirements of the pension plan.

Related Party Transactions

The Company has extensive transactions and relationships with ON Semiconductor and its affiliates including intercompany pricing agreements and certain manufacturing and information technology support agreements. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Contingencies

The Company is involved in a variety of legal matters that arise in the normal course of business. Based on information available, management evaluates the relevant range and likelihood of potential outcomes. In accordance with SFAS No. 5, "Accounting for Contingencies", the Company records the appropriate liability when the amount is deemed probable and estimable.

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact the Company's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. The Company's adoption of SFAS No. 150 did not impact its financial condition or results of operations.

In January 2003, the FASB issued Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51". FIN No. 46 requires certain variable interest entities ("VIE's") be consolidated by the primary beneficiary, as that term is defined in FIN No. 46. The Company's adoption of FIN No. 46 did not impact its financial condition or results of operations.

In December 2003, the FASB issued SFAS No. 132, "Employers' Disclosures about Pensions and Other Postretirement Benefits (revised 2003)". SFAS No. 132 revises employers' disclosures about pension plans and other postretirement benefit plans. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132, which also requires new disclosures for interim periods beginning after December 15, 2003, is effective for fiscal years ending after December 15, 2003. The Company adopted this Statement for the year ended December 31, 2003 and has included the required disclosures in Note 7 "Employee Benefit Plans".

Note 4: Restructuring, Asset Impairments and Other, net

June 2003

In June 2003, the Company identified certain machinery and equipment that would no longer be utilized and recorded a charge of $0.1 million to write-down the remaining carrying value of these assets to their net realizable value.

June 2002

During the second quarter of 2002, ON Semiconductor and Motorola reached a settlement of various contractual issues in exchange for a cash payment from Motorola of $10.6 million which resulted in a related gain to ON Semiconductor of $12.4 million. Because the majority of the contractual issues were between SCI LLC and Motorola, the related gain was recorded entirely on the books of SCI LLC. As a part of the settlement included forgiveness of a receivable due from Motorola, the Company recorded a $2.3 million write-off, which is included in restructuring, asset impairments and other, net in the statement of operations for the year ended December 31, 2002.

June 2001

In June 2001, the Company recorded charges totaling $0.6 million to cover employee separation costs associated with the termination of approximately 30 employees. All impacted employees were terminated and the Company released the remaining $0.3 million reserve to income during the fourth quarter of 2001 as the actual severance costs were less than originally estimated.

March 2001

In March 2001, the Company recorded charges totaling $1.8 million for costs associated with a restructuring program. The charges included $1.2 million to cover employee separation costs associated with the termination of approximately 100 employees as well as $0.6 million to write off equipment that could no longer be utilized.

The employee separation costs reflected reductions in the Company's manufacturing, general and administrative staffing levels. All impacted employees have been terminated under this restructuring program.

Note 5: Balance Sheet Information

Balance sheet information is as follows (in millions):

	December 31,		April 2,
	2003	2002	2004
Other current assets:			
Value added tax receivable	$ 0.7	$ 1.3	$ 0.7
Other	0.8	1.1	1.1
	$ 1.5	$ 2.4	$ 1.8
Property, plant and equipment, net:			
Buildings	$ 27.0	$ 27.0	$ 27.0
Machinery and equipment	59.5	65.7	59.4
Total property, plant and equipment	86.5	92.7	86.4
Less: Accumulated depreciation	(61.7)	(61.7)	(62.5)
	$ 24.8	$ 31.0	$ 23.9
Accrued expenses:			
Current portion of pension liability	$ 0.2	$ 0.2	$ 0.1
Accrued payroll	0.3	0.2	0.4
Other	—	0.1	0.1
	$ 0.5	$ 0.5	$ 0.6

Depreciation expense for property, plant and equipment totaled $6.3 million, $10.0 million and $10.9 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 6: Income Taxes

The income tax provision (benefit) is as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
Current	$ 1.0	$ 1.5	$ 0.1
Deferred	—	(0.1)	(1.1)
	$ 1.0	$ 1.4	$(1.0)

A reconciliation of the Philippines statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,		
	2003	2002	2001
Philippines federal statutory rate	(32.0)%	(32.0)%	(32.0)%
Increase (decrease) resulting from:			
Tax holiday	—	—	(33.1)
Foreign currency remeasurement	750.7	98.9	72.9
Non-deductible corporate allocation	288.0	14.2	28.3
Prior year taxes	—	—	(125.4)
Other	(6.7)	(1.9)	(6.3)
	1,000.0%	79.2%	(95.6)%

Deferred tax assets (liabilities) are as follows (in millions):

	Year Ended December 31,	
	2003	2002
Unrealized foreign exchange gains	$—	$(0.1)
Reserves and accruals	—	0.3
Depreciation	(0.8)	(1.0)
Other	0.2	0.2
Net deferred tax liability	$(0.6)	$(0.6)

Cash paid for income taxes was $1.9 million, $0.6 million and $0.2 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The Company files income tax returns with the taxing authorities in the various jurisdictions in which it operates. Certain of these income tax returns remain subject to audit by the local tax authorities. Management believes that the resolution of any issues raised by such taxing authorities, including application of any related determinations to subsequent open years, will not have an adverse effect on the Company's financial condition, results of operations and cash flows.

Note 7: Employee Benefit Plan

Defined Benefit Plan

The Company has a pension plan that covers most employees. The benefit formula is dependent upon employee years of service. The Company's policy is to fund the plan in accordance with the requirements and regulations of Philippine labor laws. Benefits under this pension plan are valued using the projected unit credit cost method. The Company expects to contribute $0.2 million to the pension plan in 2004 based on its current assessment of the economic environment.

In 2003, the Company changed its method of accounting for unrecognized net actuarial gains or losses relating to its defined benefit pension obligations. Historically, the Company amortized its net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. The Company no longer defers actuarial gains or losses but will recognize such gains and losses during the fourth quarter of each year, which is the period the Company's annual pension plan actuarial valuations are prepared with a measurement date of December 31. Management believes that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred. This change did not have a material impact on the Company.

The following is a summary of the status of the Company's pension plan and the net periodic pension cost (dollars in millions):

	Year Ended December 31,		
	2003	2002	2001
Service cost	$ 0.2	$ 0.2	$ 0.2
Interest cost	0.2	0.3	0.3
Expected return on plan assets	(0.1)	(0.2)	(0.2)
Amortization of prior service cost	—	0.1	—
Total net periodic pension cost	$ 0.3	$ 0.4	$ 0.3

	December 31,	
	2003	2002
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	$ 2.2	$ 2.0
Service cost	0.2	0.2
Interest cost	0.2	0.3
Actuarial gain	—	(0.1)
Benefits paid	—	(0.1)
Translation gain	—	(0.1)
Projected benefit obligation at the end of the year	2.6	2.2
Accumulated benefit obligation at the end of the year	1.0	0.7
Change in plan assets		
Fair value of plan assets at the beginning of the year	$ 1.4	$ 1.2
Actual return on plan assets	0.2	0.1
Benefits paid	—	(0.1)
Employer contributions	0.2	0.3
Translation gain	—	(0.1)
Fair value of plan assets at the end of the year	1.8	1.4
Net amount recognized		
Funded status	(0.8)	(0.8)
Unrecognized prior service cost	0.3	0.4
Net amount recognized	(0.5)	(0.4)
Amounts recognized in the statement of financial position		
Accrued benefit liability	(0.2)	(0.2)
Other long-term liabilities	(0.3)	(0.2)
Net amount recognized	(0.5)	(0.4)
Weighted average assumptions at the end of the year		
Discount rate	10.00%	11.00%
Rate of compensation increase	8.00%	9.00%

As of April 2, 2004 and December 31, 2003, the total accrued pension liability was $0.6 million and $0.5 million, respectively. The components of our net periodic pension expense for the three months ended April 2, 2004 and April 4, 2003 are as follows (in millions):

	Quarter Ended	
	April 2, 2004	April 4, 2003
Service cost	$ 0.1	$ —
Interest cost	0.1	0.1
Expected return on plan assets	(0.1)	—
Total net periodic pension cost	$ 0.1	$ 0.1

Note 8: Foreign Currency Exchange Contracts

The Company's foreign currency exposures are included in ON Semiconductor's worldwide foreign currency exposure management program. ON Semiconductor aggregates the forecasted foreign currency exposures for each of its subsidiaries on a monthly basis and enters into forward currency contracts in order to reduce its overall exposure to the effects of currency fluctuations on its results of operations and cash flows. The Company's net foreign currency transaction losses included in the accompanying statement of operations for the years ended December 31, 2003, 2002 and 2001 are $0.1 million, $0.0 million and $0.4 million, respectively.

Note 9: Stock Options

Certain employees of the Company participate in ON Semiconductor stock option plans.

Generally, the options granted under these plans vest over a period of four years. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

Information with respect to the activity of the stock option plans as it relates to the employees of the Company is as follows (in millions, except per share data):

	2003		2002		2001	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	0.4	$ 6.15	0.3	$ 7.26	0.2	$ 9.04
Grants	0.2	3.69	0.1	3.17	0.1	5.27
Exercises	—	1.65	—	—	—	—
Cancellations	(0.1)	4.47	—	—	—	—
Outstanding at end of year	0.5	$ 5.70	0.4	$ 6.15	0.3	$ 7.26
Exercisable at end of year	0.1	$ 9.62	0.1	$ 8.13	0.1	$ 5.06
Weighted average fair value of options granted during the period		$ 2.73		$ 1.94		$ 3.26

The following tables summarize options outstanding and options exercisable at December 31, 2003:

	Outstanding Options		
	Number Shares	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price
Range of Exercise Prices			
$1.25-$2.71	0.1	8.78	$ 1.30
$3.22-$6.95	0.3	8.69	4.74
$13.063-$16.00	0.1	6.40	15.41
Totals	0.5		5.70

	Exercisable Options		
	Number Shares	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price
Range of Exercise Prices			
$1.25-$2.71	—	5.80	$ 1.55
$3.22-$6.95	—	7.52	4.64
$13.063-$16.00	0.1	6.41	15.38
Totals	0.1		9.62

These options will expire if not exercised at specific dates through November 2013.

2000 Employee Stock Purchase Plan

Eligible employees also participate in ON Semiconductor’s 2000 Employee Stock Purchase Plan. Subject to local legal requirements, each of the Company’s full-time employees has the right to elect to have up to 10% of their payroll applied towards the purchase of shares of ON Semiconductor common stock at a price equal to 85% of the fair market value of such shares as determined under the plan. During each quarterly offering period, employees may not purchase stock exceeding the lesser of (i) 500 shares, or (ii) the number of shares equal to $6,250 divided by the fair market value of the stock on the first day of the offering period. During 2003, 2002 and 2001, employees purchased approximately 11,000, 13,000 and 11,300 shares under the plan, respectively.

Note 10: Commitments and Contingencies

Leases

The following is a schedule by year of future minimum lease obligations under non-cancelable operating leases (in millions):

As of December 31, 2003:	
2004	$0.5
2005	0.3
2006	0.1
	$0.9

As of April 2, 2004	
Remainder of 2004	$0.5
2005	0.5
2006	0.3
2007	0.2
2008	0.2
Thereafter	0.9
Total	$2.6

Legal Matters

ON Semiconductor is currently involved in a variety of legal matters that arose in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters will have a material adverse effect on ON Semiconductor's financial condition, results of operations or cash flows.

Common Stock Collateral Pledge

On May 6, 2002, ON Semiconductor and SCI LLC (collectively, the "Issuers") issued $300 million principal amount of second lien notes due 2008. The notes are jointly and severally, fully and unconditionally guaranteed on a senior basis by ON Semiconductor's domestic restricted subsidiaries that are guarantors under its senior subordinated notes. In addition, the notes and guarantees are secured on a second priority basis by the capital stock or other equity interests of ON Semiconductor's domestic subsidiaries, 65% of the capital stock or other equity interests of its first-tier foreign subsidiaries, including the Company, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

On March 3, 2003, the Issuers issued $200.0 million principal amount of first-lien senior secured notes due 2010. The notes are fully and unconditionally guaranteed on a joint and several basis by each of the domestic subsidiaries of ON Semiconductor (other than SCI LLC). The notes and guarantees are secured on a first-priority basis by the capital stock or other equity interests of ON Semiconductor's domestic subsidiaries, 65% of the capital stock or other equity interests of its first-tier foreign subsidiaries, including the Company, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

Exhibit 99.5

SCG (CHINA) HOLDING CORPORATION
(A Wholly-Owned Subsidiary of
ON Semiconductor Corporation)

CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2003 and 2002 and for
the Years Ended December 31, 2003, 2002 and 2001
and as of April 2, 2004 (unaudited) and for the three months
ended April 2, 2004 and April 4, 2003 (unaudited)

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholder
of SCG (China) Holding Corporation

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of operations, of stockholder's equity and of cash flows present fairly, in all material respects, the financial position of SCG (China) Holding Corporation and subsidiary (a wholly-owned subsidiary of ON Semiconductor Corporation) at December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The Company has extensive transactions and relationships with ON Semiconductor Corporation and its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

PRICEWATERHOUSECOOPERS LLP

Phoenix, Arizona
February 2, 2004, except for the
third paragraph of Note 2 for which
the date is February 9, 2004

SCG (CHINA) HOLDING CORPORATION
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED BALANCE SHEET

	December 31, 2003	December 31, 2002	April 2, 2004
	(in millions)		(unaudited)
ASSETS			
Cash and cash equivalents	$ 4.9	$ 8.0	$ 9.0
Receivables	4.2	3.4	3.9
Inventories	4.3	3.5	4.9
Other current assets	1.8	3.1	1.8
Due from affiliates	21.7	0.3	12.2
Total current assets	36.9	18.3	31.8
Property, plant and equipment, net	119.2	131.2	116.2
Total assets	$ 156.1	$ 149.5	$ 148.0
LIABILITIES, MINORITY INTEREST AND STOCKHOLDER’S EQUITY			
Accounts payable	$ 11.3	$ 6.9	$ 8.6
Accrued expenses	1.1	0.8	0.8
Due to affiliates	9.2	—	6.1
Current portion of long- term debt	4.8	10.5	4.8
Total current liabilities	26.4	18.2	20.3
Notes payable to affiliate	—	63.3	—
Long- term debt	63.2	9.5	62.0
Total liabilities	89.6	91.0	82.3
Commitments and contingencies (See Note 7)	—	—	—
Minority interest in consolidated subsidiary	26.0	22.8	25.6
Common stock ($0.01 par value, 1,000 shares authorized, 1,000 shares issued and outstanding)	—	—	—
Additional paid-in capital	24.2	24.2	24.2
Retained earnings	16.3	11.5	15.9
Total stockholder’s equity	40.5	35.7	40.1
Total liabilities, minority interest and stockholder’s equity	$ 156.1	$ 149.5	$ 148.0

The accompanying notes are an integral part of these financial statements.

SCG (CHINA) HOLDING CORPORATION
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended December 31,			Three months ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
				(unaudited)	
			(in millions)		
Revenues:					
External revenues	$ 8.2	$ 9.2	$ 8.7	$ 2.1	$ 3.0
Revenues from affiliates	116.6	88.8	52.0	30.3	24.4
Total revenues	124.8	98.0	60.7	32.4	27.4
Cost of sales	112.8	85.4	47.7	30.2	24.0
Gross profit	12.0	12.6	13.0	2.2	3.4
Operating expenses:					
General and administrative	0.4	0.3	0.3	0.1	0.1
Total operating expenses	0.4	0.3	0.3	0.1	0.1
Operating income	11.6	12.3	12.7	2.1	3.3
Interest expense	(2.7)	(4.3)	(6.1)	(0.5)	(0.8)
Other income	—	0.5	—	—	—
Other expenses, net	(2.7)	(3.8)	(6.1)	(0.5)	(0.8)
Income before income taxes and minority interest	8.9	8.5	6.6	1.6	2.5
Income tax provision	(0.9)	(0.9)	(0.1)	(0.1)	(0.2)
Minority interest	(3.2)	(2.8)	(2.5)	(0.6)	(0.9)
Net income	$ 4.8	$ 4.8	$ 4.0	$ 0.9	$ 1.4

The accompanying notes are an integral part of these financial statements.

SCG (CHINA) HOLDING CORPORATION
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF STOCKHOLDER'S EQUITY

	Common Stock	Additional Paid-In Capital	Retained Earnings	Total
		(in millions)		
Balance at December 31, 2000	$ —	$ 24.2	$ 3.0	$ 27.2
Comprehensive income				
Net income	—	—	4.0	4.0
Balance at December 31, 2001	—	24.2	7.0	31.2
Dividends paid	—	—	(0.3)	(0.3)
Comprehensive income				
Net income	—	—	4.8	4.8
Balance at December 31, 2002	—	24.2	11.5	35.7
Comprehensive income				
Net income	—	—	4.8	4.8
Balance at December 31, 2003	—	24.2	16.3	40.5
Dividends paid (unaudited)			(1.3)	(1.3)
Comprehensive income (unaudited)				
Net income (unaudited)			0.9	0.9
Balance at April 2, 2004 (unaudited)	$ —	$ 24.2	$ 15.9	$ 40.1

The accompanying notes are an integral part of these financial statements.

SCG (CHINA) HOLDING CORPORATION
(A Wholly-Owned Subsidiary of ON Semiconductor Corporation)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year Ended December 31,			Three months ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
		(In millions)		(unaudited)	
Cash flows from operating activities:					
Net income	$ 4.8	$ 4.8	$ 4.0	$ 0.9	$ 1.4
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation and amortization	16.7	14.6	11.3	4.1	4.0
Minority interest	3.2	2.8	2.5	0.6	0.9
Other	0.1	—	—	—	0.2
Changes in assets and liabilities:					
Receivables	(0.8)	(0.3)	(0.5)	0.3	(1.3)
Inventories	(0.8)	(1.6)	(0.1)	(0.6)	(0.3)
Other assets	0.2	(2.2)	(1.6)	(0.4)	(0.2)
Due from affiliates	(21.4)	(0.3)	7.3	9.5	(16.2)
Accounts payable	4.4	2.7	(6.6)	(2.7)	0.5
Accrued expenses	0.3	0.3	(0.1)	(0.3)	(0.4)
Due to affiliates	9.2	(4.7)	4.7	(3.1)	4.5
Net cash provided by operating activities	15.9	16.1	20.9	8.3	(6.9)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(3.7)	(14.0)	(31.1)	(0.7)	(0.2)
Net cash used in investing activities	(3.7)	(14.0)	(31.1)	(0.7)	(0.2)
Cash flows from financing activities:					
Proceeds from debt issuance	48.0	—	9.5	—	—
Proceeds from intercompany long term debt	—	—	5.0	—	—
Repayment of intercompany long term debt	(63.3)	—	—	—	—
Repayment of long-term debt	—	—	—	(1.2)	—
Dividend to minority shareholder of consolidated subsidiary				(1.0)	—
Dividend to Parent	—	(0.3)	—	(1.3)	—
Net cash provided by (used in) financing activities	(15.3)	(0.3)	14.5	(3.5)	—
Net increase (decrease) in cash and cash equivalents	(3.1)	1.8	4.3	4.1	(7.1)
Cash and cash equivalents, beginning of period	8.0	6.2	1.9	4.9	8.0
Cash and cash equivalents, end of period	$ 4.9	$ 8.0	$ 6.2	$ 9.0	$ 0.9

The accompanying notes are an integral part of these financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1: Background and Basis of Presentation

SCG (China) Holding Corporation (the "Company") is a wholly-owned subsidiary of ON Semiconductor Corporation ("ON Semiconductor" or "Parent"). The Company's primary asset is its majority ownership in Leshan-Phoenix Semiconductor Company Limited ("Leshan"), a joint venture with Leshan Radio Company, Ltd., ("LRC") located in Leshan, China that is engaged in the manufacture of semiconductor products. Leshan purchases die from ON Semiconductor as well as third parties, converts such die into semiconductor products and the sells such products to ON Semiconductor and LRC.Pursuant to the related agreement, requests for production capacity are made to the board of directors of Leshan by ON Semiconductor and LRC. These requests represent purchase commitments of ON Semiconductor and LRC; however, each may elect to pay the cost associated with the unused capacity (which is generally equal to the fixed cost of the capacity), in lieu of the commitment. ON Semiconductor committed to purchase 82%, 85% and 81% of Leshan's production capacity in 2003, 2002 and 2001, respectively, and is currently committed to purchase 86% of expected 2004 production. In 2003, 2002 and 2001, ON Semiconductor purchased 90%, 76% and 43%, respectively, of Leshan's production. Because ON Semiconductor purchased less than it's committed amounts in certain months in 2003, 2002 and 2001, it incurred $0.5 million, $1.5 million and $6.4 million in underutilization charges, respectively. ON Semiconductor and LRC have guaranteed Leshan a fixed return on equity (15% in 2003, 2002 and 2001) and its related sales prices have been determined accordingly.

Formerly known as the Semiconductor Components Group of the Semiconductor Products Sector of Motorola, Inc., ON Semiconductor was a wholly-owned subsidiary of Motorola Inc. ("Motorola") prior to its August 4, 1999 recapitalization (the "Recapitalization"). ON Semiconductor continues to hold, through direct and indirect subsidiaries, substantially all the assets and operations of the Semiconductor Components Group of Motorola's Semiconductor Products Sector. The Company was capitalized by the issuance of 1,000 shares of common stock to ON Semiconductor in connection with the Recapitalization.

In the second quarter of 2003, the Company adopted FASB Interpretation No. 46 ("FIN No. 46"), "Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51". FIN No. 46 requires that certain variable interest entities ("VIE's") be consolidated by the primary beneficiary, as that term is defined in FIN No. 46 The Company determined that its investment in Leshan meets the definition of a VIE and that the Company (through its relationship with ON Semiconductor) is the primary beneficiary; therefore, the investment in Leshan is consolidated in accordance with FIN No. 46. The Company had previously accounted for its investment in Leshan using the equity method. While consolidation of the its investment in Leshan did not impact the Company's net income (loss) or stockholders' equity (deficit), financial information of prior periods has been revised for comparative purposes as allowed by FIN No. 46.

The accompanying unaudited financial statements as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information and on the same basis of presentation as the audited financial statements. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for financial statements. In the opinion of the Company's management, the interim data includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited.

Note 2: Liquidity

During the quarter ended April 2, 2004, ON Semiconductor incurred a net loss of $47.6 million compared to a net loss of $50.5 million for the quarter ended April 4, 2003. ON Semiconductor's net loss included net charges from restructuring, asset impairments and other, net of $13.1 million for the quarter ended April 2, 2004. ON Semiconductor's net loss for the first quarter of 2004 also included a charge of $33.0 million for loss on debt prepayment. ON Semiconductor's net loss for the first quarter of 2003 included a charge of $21.5 million relating to a change in accounting principle and $3.5 million for loss on debt prepayment. Net cash provided by operating activities was $32.8 million for the quarter ended April 2, 2004, as compared $4.6 million for the quarter ended April 4, 2003.

At April 2, 2004, ON Semiconductor had $221.4 million in cash and cash equivalents, net working capital of $250.8 million, term and revolving debt of $1,141.2 million in the aggregate and a stockholders' deficit of $463.1 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $124.7 million (net of discount) of its 12% first lien senior secured notes due 2010; $190.4 million (net of discount) of its 13% second lien senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $143.4 million under its 10% junior subordinated note due 2011; $23.0 million under a note payable to a Japanese bank due 2010; $66.8 million under loan facilities with Chinese banks; and $12.8 million under capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements as of April 2, 2004 and expects to remain in compliance over the next twelve months.

In February 2004, ON Semiconductor completed a public offering of common stock resulting in net proceeds of $226.7 million. The net proceeds were used to redeem $70.0 million principal amount of the Company's 13% senior secured notes due 2010 and $105.0 million principal amount of the 12% senior secured notes due 2008 at a redemption price of 112% of the principal amount of such notes. The remaining proceeds will be used for general corporate purposes.

During the year ended December 31, 2003, ON Semiconductor incurred a net loss of $166.7 million compared to net losses of $141.9 and $831.4 million in 2002 and 2001, respectively. ON Semiconductor's net results included restructuring, asset impairments and other, net of $61.2 million, $27.7 million and $150.4 million in 2003, 2002 and 2001, respectively, as well as interest expense of $151.1 million, $152.5 million and $143.6 million, respectively. ON Semiconductor's operating activities provided cash of $45.7 million in 2003 and $46.4 million in 2002 and used cash of $116.4 million in 2001.

At December 31, 2003, ON Semiconductor had $186.6 million in cash and cash equivalents, net working capital of $212.5 million, term or revolving debt of $1,302.9 million and a stockholders' deficit of $644.6 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $191.6 million (net of discount) of its 13% senior secured notes due 2010; $292.6 million (net of discount) of its 12% senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $139.9 million under a 10% junior subordinated note payable to Motorola due 2011; $48.0 million under a loan facility with a Chinese bank due 2013; $24.3 million under a note payable to a Japanese bank due 2010; $20.0 million under a loan facility with a Chinese bank due 2007; and $6.4 million under a capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements at December 31, 2003 and expects to remain in compliance over the next twelve months.

ON Semiconductor's ability to service its long-term debt, to remain in compliance with the various covenants and restrictions contained in its financing agreements and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond its control.

If ON Semiconductor fails to generate sufficient cash from operations, it may need to raise additional equity or borrow additional funds to achieve its longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable ON Semiconductor. Management believes that cash flow from operating activities coupled with existing cash balances will be adequate to fund the ON Semiconductor's operating and capital needs as well as to enable it to maintain compliance with its various debt agreements through April 2, 2005. To the extent that results or events differ from ON Semiconductor's financial projections and business plans, the ON Semiconductor's liquidity may be adversely impacted.

Note 3: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to receivables and inventories; future cash flows associated with long-lived assets; and, the fair values of financial instruments. Actual results could differ from these estimates.

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturities of such instruments.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives of 30-40 years for buildings and 3-20 years for machinery and equipment using accelerated and straight-line methods.

Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the related carrying amount of an asset may not be recoverable. Impairment is assessed when the undiscounted expected cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which the Company operates and the resulting assumptions used to estimate future cash flows impact the outcome of these impairment tests.

Revenue Recognition

The Company recognizes revenue when semiconductor products are shipped to affiliated companies or third parties. Revenues from affiliates include the cost of raw materials and assembly and test services performed plus a markup based on an intercompany transfer pricing agreement.

Stock-Based Compensation

The Company accounts for employee stock options relating to the common stock of ON Semiconductor in accordance with Accounting Principles Board Opinion No. 25, “Accounting for Stock Issued to Employees” and related pronouncements (“APB 25”) and provides the pro forma disclosures required by Statement of Financial Accounting Standards (“SFAS”) No. 123 “Accounting for Stock Based Compensation”. The Company measures compensation expense relating to non-employee stock awards in accordance with SFAS No. 123.

Had the Company determined employee stock compensation expense in accordance with SFAS No. 123, the Company’s net income for 2003 and 2002 and for the three months ended April 2, 2004 and April 4, 2003, respectively would not have been materially different from the net income reported.

The fair value of each option grant has been estimated at the date of grant using a Black-Scholes option-pricing model with weighted-average assumptions of a 5 year expected life in both 2003 and 2002, 3.14% and 4.40% risk-free interest rate and 1.01 and 0.7 volatility in 2003 and 2002, respectively.

The fair value of each option grant has been estimated at the date of grant using a Black-Scholes option-pricing model with weighted-average assumptions of a 5 year expected life in both the first quarter of 2004 and 2003, 3.06% and 3.14% risk-free interest rate and 0.70 and 1.01 volatility in first quarter of 2004 and 2003, respectively.

Certain employees of the Company participate in ON Semiconductor stock option plans. During 2003, there were 4,000 options granted to such employees with a weighted average fair value of $3.98. As of December 31, 2003, there were 27,135 shares of options outstanding of which 5,844 were exerciseable. There were no stock option grants in 2001. Generally, the options granted under these plans vest over a period of four years. Upon the termination of an option holder’s employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

The weighted-average estimated fair value of employee stock options granted during 2003 and 2002 was $3.98 and $1.97 per share, respectively.

The weighted-average estimated fair value of employee stock options granted during first quarter of 2004 and 2003 was $4.52 and $3.98 per share, respectively.

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized.

Foreign Currencies

The Company utilizes the U.S. dollar as its functional currency. The net effects of gains and losses from foreign currency transactions and from the translation of foreign currency financial statements into U.S. dollars are included in current operations.

Related Party Transactions

The Company has extensive transactions and relationships with ON Semiconductor and its affiliates including intercompany pricing agreements and certain manufacturing and information technology support agreements. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Contingencies

The Company is involved in a variety of legal matters that arise in the normal course of business. Based on information available, management evaluates the relevant range and likelihood of potential outcomes. In accordance with SFAS No. 5, "Accounting for Contingencies", the Company records the appropriate liability when the amount is deemed probable and estimable.

Recent Accounting Pronouncements

In April 2003, the FASB issued SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact the Company's financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity". SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer's equity shares by transferring assets, and certain obligations to issue a variable number of shares. Equity securities of consolidated entities that meet the definition of a mandatorily redeemable security by virtue of having a finite life ("mandatorily redeemable minority interests") are included in the scope of SFAS No. 150. The minority interest associated with the Company's investment in Leshan is a mandatorily redeemable minority interest within the scope of SFAS No. 150 by virtue of Leshan's finite life of 50 years as specified in its organizational documents. In November 2003, the FASB issued Staff Position No. 150-3 which deferred the measurement and classification provisions of SFAS No. 150 relating to Leshan pending further action by the FASB. The Company is required to disclose the liquidation value of the Leshan minority interest which the Company believes approximates the related carrying value of $26.0 million as of December 31, 2003. The Company's adoption of the other provisions of SFAS No. 150 in 2003 did not impact its financial condition or results of operations.

Note 4: Balance Sheet Information

Balance sheet information is as follows (in millions):

	December 31, 2003	December 31, 2002	April 2, 2004 (unaudited)
Inventories			
Work- in- process	$ 4.2	$ 3.5	$ 4.8
Finished goods	0.1	—	0.1
	$ 4.3	$ 3.5	$ 4.9
Other current assets:			
Value added taxes receivable	$ 0.5	$ 2.2	$ 0.4
Other	1.3	0.9	1.4
	$ 1.8	$ 3.1	$ 1.8
Property, plant and equipment, net:			
Land	$ 3.3	$ 3.3	$ 3.3
Buildings	24.7	23.9	24.7
Machinery and equipment	148.2	145.6	148.8
Total property, plant and equipment	176.2	172.8	176.8
Less: Accumulated depreciation	(57.0)	(41.6)	(60.6)
	$ 119.2	$ 131.2	$ 116.2

Depreciation expense related to property, plant and equipment totaled $15.6 million, $13.8 million and $10.5 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 5: Income Taxes

Geographic source of income (loss) before income taxes and minority interest are as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
United States	$—	$0.6	$—
Foreign	8.9	7.9	6.6
	$ 8.9	$8.5	$ 6.6

The provision (benefit) for income taxes is as follows (in millions):

	Year Ended December 31,		
	2003	2002	2001
Current	$ 0.9	$ 0.9	$ 0.1
Deferred	—	—	—
	$ 0.9	$ 0.9	$ 0.1

A reconciliation of the China statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,		
	2003	2002	2001
U.S federal statutory rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
Foreign rate differential	(25.0)	(25.0)	(25.0)
Other	0.1	0.6	(8.5)
	10.1%	10.6%	1.5%

Income taxes have not been provided on the undistributed earnings of the Company's foreign subsidiaries (approximately $35.7 million at December 31, 2003) over which it has sufficient influence to control the distribution of such earnings and has determined that such earnings have been reinvested indefinitely. These earnings could become subject to additional tax if they were remitted as dividends, if foreign earnings were lent to any of the Company's subsidiaries, or if the Company sells its investment in such subsidiaries. The Company estimates that repatriation of these foreign earnings would generate additional foreign tax withholdings of $7.3 million. Cash paid for income taxes was $0.2 million, $1.3 million and $0.0 million for the years ended December 31, 2003, 2002 and 2001, respectively.

The Company files income tax returns with the taxing authorities in the various jurisdictions in which it operates. Certain of these income tax returns remain subject to audit by the local tax authorities. Management believes that the resolution of any issues raised by such taxing authorities, including application of any related determinations to subsequent open years, will not have an adverse effect on the Company's financial condition or results of operations.

Note 6: Long Term Debt

In connection with the Recapitalization described in Note 1, ON Semiconductor loaned the Company $28.3 million, at an interest rate of 3.5%, to refinance third-party non-recourse loans. During 2001 and 2000, ON Semiconductor loaned the Company an additional $5.0 million and $30.0 million, respectively, to finance facility expansion. The loan of $63.3 was fully repaid by the Company in 2003.

The Company's long-term debt includes a $20.0 million loan facility from a Chinese bank. Aggregate loans under this facility, which was entered into in November 2000, are comprised of $16 million of borrowings denominated in U.S. dollars and $4 million of borrowings denominated in Chinese Renminbi (based on year-end exchange rates). Interest on these loans is payable quarterly and accrues at a variable rate based on published market rates in China for six-year term loans. During the fourth quarter of 2003, the Company exercised its ability to extend the maturity of this loan for three years under the same terms and conditions, thereby extending scheduled principal payments to $10.5 million due in the fourth quarter of 2006 and $9.5 million due in the first quarter of 2007. The effective interest rate for loan denominated in U.S dollars is 2.63%, 2.63% and 2.94% at April 4, 2004 December 31, 2003, December 31, 2002, respectively. The effective interest rate for loan denominated in Chinese Renminbi is 5.31%,5.06% and 5.76% at April 4, 2004, December 31, 2003 and December 31, 2002, respectively.

The Company's long-term debt also includes a $48.0 million loan facility from another Chinese Bank. The loan facility was entered into in the fourth quarter of 2003 and is comprised of two $24.0 million tranches. The first tranche has a 10-year term with a maturity in December 2013; the second tranche has a three year term with scheduled principal payments through December 2006 extendible for an additional three years under certain circumstances. Each tranche bears interest at a rate of LIBOR plus 1.5% per annum, payable quarterly. The effective interest rate is 2.65%, 2.72% at April 4, 2004 and December 31, 2003, respectively.

Cash paid for interest for the years ended December 31, 2003, 2002 and 2001 was $2.7 million, $4.3 million and $6.0 million, respectively.

Note 7: Commitment and Contingencies

Legal Matters

ON Semiconductor is currently involved in a variety of legal matters that arose in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters will have a material adverse effect on ON Semiconductor’s financial condition, results of operations or cash flows.

Common Stock Collateral Pledge

On May 6, 2002, ON Semiconductor and Semiconductor Components Industries, LLC (“SCI LLC”) (collectively, the “Issuers”) issued $300 million principal amount of second lien notes due 2008. The notes are jointly and severally, fully and unconditionally guaranteed on a senior basis by ON Semiconductor’s domestic restricted subsidiaries that are guarantors under its senior subordinated notes. In addition, the notes and guarantees are secured on a second priority basis by the capital stock or other equity interests of ON Semiconductor’s domestic subsidiaries including the Company, 65% of the capital stock or other equity interests of its first-tier foreign subsidiaries and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

On March 3, 2003, the Issuers issued $200.0 million principal amount of first-lien senior secured notes due 2010 (the “First-Lien Notes”) . The notes are fully and unconditionally guaranteed on a joint and several basis by each of the domestic subsidiaries of ON Semiconductor (other than SCI LLC). In addition, the notes and guarantees are secured on a first-priority basis by the capital stock or other equity interests of ON Semiconductor’s domestic subsidiaries including the Company, 65% of the capital stock or other equity interests of its first-tier foreign subsidiaries including the Company, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

Purchase Obligations

As of April 4, 2004 and December 31, 2003, the Company had $0.5 million and $2.2 million of capital purchase commitments, respectively.

Note 8: Fair Value of Financial Instruments

The Company uses the following methods to estimate the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term maturities of such instruments.

Notes Payable to Affiliate

Due to the related-party nature of the notes payable to affiliate, it was not practicable to estimate their fair values due to the inability to obtain quoted market prices to determine current market rates for similar instruments. At December 31, 2002, the carrying value of the notes payable to affiliate was $63.3 million.

Long-term Debt

The fair values of the Company’s long-term borrowings are determined based on market prices for comparable debt instruments. The carrying value of long-term debt approximates fair value at December 31, 2003 and 2002.

Exhibit 99.6

ON SEMICONDUCTOR JAPAN TECHNOLOGY LTD.
(An Indirect Wholly-Owned Subsidiary of
ON Semiconductor Corporation)

FINANCIAL STATEMENTS

As of December 31, 2003 and 2002 and for the Years Ended December 31, 2003, 2002 and 2001
and as of April 2, 2004 (unaudited) and for the three months ended April 2, 2004 and April 4, 2003 (unaudited)

REPORT OF INDEPENDENT AUDITORS

To the Board of Directors and Stockholder
of ON Semiconductor Japan Technology Ltd.

In our opinion, the accompanying balance sheet and the related statements of operations, of stockholder's equity and of cash flows present fairly, in all material respects, the financial position of ON Semiconductor Japan Technology Ltd. (an indirect wholly-owned subsidiary of ON Semiconductor Corporation) at December 31, 2003 and 2002, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 4 to the financial statements, the Company changed its method of accounting for unrecognized net actuarial gains or losses relating to its defined benefit pension obligations effective January 1, 2003.

The Company has extensive transactions and relationships with ON Semiconductor Corporation and its affiliates. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

/s/ PRICEWATERHOUSECOOPERS LLP
PricewaterhouseCoopers LLP

Phoenix, Arizona
February 2, 2004, except for
the third paragraph of Note 2 for
which the date is February 9, 2004

ON SEMICONDUCTOR JAPAN TECHNOLOGY LTD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

BALANCE SHEET

	December 31, 2003	December 31, 2002	April 2, 2004
			(unaudited)
	(in millions, except share data)		
ASSETS			
Cash and cash equivalents	$ 5.4	$ 4.3	$ 6.8
Other current assets	1.5	1.1	0.3
Due from affiliates	5.0	6.9	5.1
Deferred income taxes	0.1	2.6	0.1
Total current assets	12.0	14.9	12.3
Property, plant and equipment, net	71.6	72.5	72.0
Other assets	0.1	1.0	0.1
Total assets	$ 83.7	$ 88.4	$ 84.4
LIABILITIES AND STOCKHOLDER’S EQUITY			
Accounts payable	$ 4.7	$ 3.4	$ 4.1
Accrued expenses	4.0	3.8	4.0
Due to affiliates	0.2	0.3	0.3
Income taxes payable	0.1	0.1	0.1
Current portion of long-term debt	3.5	1.6	3.6
Total current liabilities	12.5	9.2	12.1
Long-term debt	20.8	21.7	19.4
Other long-term liabilities	5.4	5.3	5.4
Notes payable to affiliates	17.5	23.8	17.5
Deferred income taxes	0.1	1.3	0.1
Total liabilities	56.3	61.3	54.5
Commitments and contingencies (See Note 13)	—	—	—
Common stock (50,000 yen par value, 204,800 shares authorized, 64,400 shares issued and outstanding)	27.6	27.6	27.6
Additional paid-in capital	3.0	2.3	3.2
Accumulated other comprehensive income (loss)	1.0	(2.6)	1.6
Accumulated deficit	(4.2)	(0.2)	(2.5)
Total stockholder’s equity	27.4	27.1	29.9
Total liabilities and stockholder’s equity	$ 83.7	$ 88.4	$ 84.4

See accompanying notes to the financial statements

ON SEMICONDUCTOR JAPAN TECHNOLOGY LTD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

STATEMENT OF OPERATIONS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
			(in millions)	(unaudited)	(unaudited)
Sales to affiliates	$ 48.5	$ 48.4	$ 78.4	$ 14.8	$ 11.3
Cost of sales to affiliates	44.0	43.6	66.3	12.4	10.5
Gross profit	4.5	4.8	12.1	2.4	0.8
Operating expenses:					
Research and development	1.7	1.6	3.0	0.2	0.4
Selling and marketing	—	0.1	2.3	—	—
General and administrative	—	0.3	3.8	—	—
Restructuring, asset impairments and other, net	1.9	(0.1)	13.8	—	—
Total operating expenses	3.6	1.9	22.9	0.2	0.4
Operating income (loss)	0.9	2.9	(10.8)	2.2	0.4
Other income (expense), net					
Interest expense	(2.7)	(3.4)	(4.6)	(0.6)	(0.7)
Realized and unrealized foreign currency gains or losses	0.8	1.3	—	0.1	0.1
Other income (expense), net	(1.9)	(2.1)	(4.6)	(0.5)	(0.6)
Income (loss) before income taxes and cumulative of accounting change	(1.0)	0.8	(15.4)	1.7	(0.2)
Income tax benefit (provision)	(1.5)	(1.0)	3.0	—	—
Income (loss) before cumulative of accounting change	(2.5)	(0.2)	(12.4)	1.7	(0.2)
Cumulative effect of accounting change, net of tax	(1.5)	—	—	—	(1.5)
Net income (loss)	$ (4.0)	$ (0.2)	$ (12.4)	$ 1.7	$ (1.7)

See accompanying notes to the financial statements

ON SEMICONDUCTOR JAPAN TECHNOLOGY LTD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

STATEMENT OF STOCKHOLDER'S EQUITY

	Common Stock (shares)	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total
			(in millions, except share data)			
Balance at December 31, 2000	64,400	$ 27.6	$ 0.6	$ (0.4)	$ 12.4	$ 40.2
Contributed services by Parent		—	0.6	—	—	0.6
Comprehensive loss:						
Net loss		—	—	—	(12.4)	(12.4)
Foreign currency translation adjustment		—	—	(3.7)	—	(3.7)
Comprehensive loss				(3.7)	(12.4)	(16.1)
Balance at December 31, 2001	64,400	27.6	1.2	(4.1)	—	24.7
Contributed services by Parent		—	1.1	—	—	1.1
Comprehensive loss:						
Net loss		—	—	—	(0.2)	(0.2)
Foreign currency translation adjustment		—	—	2.1	—	2.1
Additional minimum pension liability		—	—	(0.6)	—	(0.6)
Comprehensive income				1.5	(0.2)	1.3
Balance at December 31, 2002	64,400	27.6	2.3	(2.6)	(0.2)	27.1
Contributed services by Parent		—	0.7	—	—	0.7
Comprehensive loss:						
Net loss		—	—	—	(4.0)	(4.0)
Foreign currency translation adjustment		—	—	3.0	—	3.0
Additional minimum pension liability		—	—	0.6	—	0.6
Comprehensive loss				3.6	(4.0)	(0.4)
Balance at December 31, 2003	64,400	27.6	3.0	1.0	(4.2)	27.4
Contributed services by Parent (unaudited)		—	0.2	—	—	0.2
Comprehensive income (unaudited):						
Net income (unaudited)		—	—	—	1.7	1.7
Foreign currency translation adjustment (unaudited)		—	—	0.6	—	0.6
Comprehensive income (unaudited)				0.6	1.7	2.3
Balance at April 2, 2004 (unaudited)	64,400	$ 27.6	$ 3.2	$ 1.6	$ (2.5)	$ 29.9

See accompanying notes to the financial statements

ON SEMICONDUCTOR JAPAN TECHNOLOGY LTD.
(An Indirect Wholly-Owned Subsidiary of ON Semiconductor Corporation)

STATEMENT OF CASH FLOWS

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004 (unaudited)	April 4, 2003 (unaudited)
			(in millions)		
Cash flows from operating activities:					
Net income (loss)	$ (4.0)	$ (0.2)	$ (12.4)	$ 1.7	$ (1.7)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:					
Depreciation	10.0	11.7	13.2	2.6	2.7
Cumulative effect of accounting change	1.5	—	—	—	1.5
Non-cash impairment write-down of property, plant and equipment	2.0	—	5.1	—	—
Non-cash support costs provided by Parent	0.7	1.1	0.6	0.2	0.2
Deferred income taxes	1.5	1.0	(3.2)	—	—
Translation gain on notes payable to affiliates	(2.0)	(1.8)	—	—	—
Other	(0.2)	0.1	0.1	—	—
Changes in assets and liabilities:					
Inventories	—	—	5.5	—	—
Income taxes receivable	—	—	4.4	—	—
Other current assets	(0.3)	(1.4)	2.1	1.3	0.5
Due from affiliates	2.3	1.7	9.6	(0.1)	2.4
Accounts payable	0.8	0.1	(10.1)	(0.7)	(0.1)
Accrued expenses	(0.2)	(3.0)	9.8	(0.9)	(1.4)
Due to affiliates	(0.2)	(0.1)	0.4	0.1	—
Income taxes payable	—	—	0.1	—	(0.1)
Other long-term liabilities	(0.5)	0.0	2.0	—	1.2
Net cash provided by operating activities	11.4	9.2	27.2	4.2	5.2
Cash flows from investing activities:					
Purchases of property, plant and equipment	(3.1)	(0.6)	(8.7)	(1.6)	(0.2)
Net cash used in investing activities	(3.1)	(0.6)	(8.7)	(1.6)	(0.2)
Cash flows from financing activities:					
Proceeds from intercompany long-term debt	—	4.0	42.8	—	—
Repayment of intercompany long-term debt	(6.5)	(11.5)	(62.4)	—	(2.0)
Repayment of long-term debt	(1.6)	—	—	(1.8)	—
Net cash used in financing activities	(8.1)	(7.5)	(19.6)	(1.8)	(2.0)
Effect of exchange rate changes on cash and cash equivalents	0.9	1.0	0.9	0.6	0.2
Net increase (decrease) in cash and cash equivalents	1.1	2.1	(0.2)	1.4	3.2
Cash and cash equivalents, beginning of period	4.3	2.2	2.4	5.4	4.3
Cash and cash equivalents, end of period	$ 5.4	$ 4.3	$ 2.2	$ 6.8	$ 7.5

See accompanying notes to the financial statements

Note 1: Background and Basis of Presentation

ON Semiconductor Japan Technology Ltd. (the "Company") is a wholly-owned subsidiary of Semiconductor Components Industries, LLC ("SCI LLC" or "Parent"), which is a wholly-owned subsidiary of ON Semiconductor Corporation ("ON Semiconductor"). The Company is located in Aizu, Japan and is primarily engaged in the manufacture of semiconductor products. Prior to the third quarter of 2002, the Company performed certain sales and marketing and general and administrative functions for the Parent and supported its own manufacturing and sales activities. These functions were transferred to other affiliates of the Company. The Company also performed research and development functions for its own manufacturing activities. Formerly known as the Semiconductor Components Group of the Semiconductor Products Sector of Motorola, Inc., ON Semiconductor was a wholly-owned subsidiary of Motorola Inc. ("Motorola") prior to its August 4, 1999 recapitalization (the "Recapitalization"). ON Semiconductor continues to hold, through direct and indirect subsidiaries, substantially all the assets and operations of the Semiconductor Components Group of Motorola's Semiconductor Products Sector. The Company's common stock consists of 204,800 authorized shares, 64,400 shares of which were issued to SCI LLC in connection with the Recapitalization.

SCI LLC incurs certain manufacturing and information technology support costs that directly benefit its various manufacturing affiliates including the Company. Although such costs are not recorded in the Company's local statutory accounts and are not deductible for local tax purposes, they have been allocated to the Company and reflected in the accompanying financial statements as cost of sales with an offsetting capital contribution from SCI LLC. The allocations utilized in arriving at the amounts reflected in the accompanying financial statements are based on assumptions that management believes are reasonable in the circumstances; however, such allocations are not necessarily indicative of the costs that would have been incurred by the Company had it operated as a stand-alone entity.

The accompanying unaudited financial statements as of April 2, 2004 and for the three months ended April 2, 2004 and April 4, 2003, respectively, have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for audited financial statements. In the opinion of the Company's management, the interim information includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods. The footnote disclosures related to the interim financial information included herein are also unaudited. Such financial information should be read in conjunction with the consolidated financial statements and related notes thereto as of December 31, 2003 and for the year then ended included in the Parent's annual report on Form 10-K, as amended, for the year ended December 31, 2003.

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Significant estimates have been used by management in conjunction with the measurement of valuation allowances relating to deferred tax assets; accruals for warranties and restructuring charges, inventory writedowns and pension obligations; the fair values of financial instruments (including derivative financial instruments); and future cash flows associated with long-lived assets. Actual results could differ from these estimates. Certain prior period amounts have been revised to conform to the current period presentation. These changes had no impact on previously reported net loss or stockholders' deficit.

Note 2: Liquidity

During the quarter ended April 2, 2004, ON Semiconductor incurred a net loss of $47.6 million compared to a net loss of $50.5 million for the quarter ended April 4, 2003. ON Semiconductor's net loss included charges from restructuring, asset impairments and other, net of $13.1 million for the quarter ended April 2, 2004 as well as a charge of $33.0 million for loss on debt prepayment. ON Semiconductor's net loss for the first quarter of 2003 included a charge of $21.5 million relating to a change in accounting principle described in Note 3 and $3.5 million for loss on debt prepayment.

Net cash provided by operating activities was $32.8 million for the quarter ended April 2, 2004, as compared $4.6 million for the quarter ended April 4, 2003.

At April 2, 2004, ON Semiconductor had $221.4 million in cash and cash equivalents, net working capital of $250.8 million, term and revolving debt of $1,141.2 million in the aggregate and a stockholders' deficit of $463.1 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $124.7 million (net of discount) of its 12% first lien senior secured notes due 2010; $190.4 million (net of discount) of its 13% second lien senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $143.4 million under its 10% junior subordinated note due 2011; $23.0 million under a note payable to a Japanese bank due 2010; $66.8 million under loan facilities with Chinese banks; and $12.8 million under capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements as of April 2, 2004 and expects to remain in compliance over the next twelve months.

In February 2004, ON Semiconductor completed a public offering of common stock resulting in net proceeds of $226.7 million. The net proceeds were used to redeem $70.0 million principal amount of ON Semiconductor's 13% senior secured notes due 2010 and $105.0 million principal amount of the 12% senior secured notes due 2008 at a redemption price of 112% of the principal amount of such notes. The remaining proceeds will be used for general corporate purposes.

During the year ended December 31, 2003, ON Semiconductor incurred a net loss of $166.7 million compared to net losses of $141.9 and 831.4 million in 2002 and 2001, respectively. ON Semiconductor's net results included restructuring, asset impairments and other, net of $61.2 million, $27.7 million and $150.4 million in 2003, 2002 and 2001, respectively, as well as interest expense of $151.1, $152.5 million and $143.6 million, respectively. ON Semiconductor's operating activities provided cash of $45.7 in 2003 and $46.4 million in 2002 and used cash of $116.4 million in 2001.

At December 31, 2003, ON Semiconductor had $186.6 million in cash and cash equivalents, net working capital of $212.5 million, term or revolving debt of $1,302.9 million and a stockholders' deficit of $644.6 million. ON Semiconductor's long-term debt includes $320.1 million under its senior bank facilities; $191.6 million (net of discount) of its 13% senior secured notes due 2010; $292.6 million (net of discount) of its 12% senior secured notes due 2008; $260.0 million of its 12% senior subordinated notes due 2009; $139.9 million under a 10% junior subordinated note payable to Motorola due 2011; $48.0 million under a loan facility with a Chinese bank due 2013; $24.3 million under a note payable to a Japanese bank due 2010; $20.0 million under a loan facility with a Chinese bank due 2007; and $6.4 million under a capital lease obligations. ON Semiconductor was in compliance with all of the covenants contained in its various debt agreements at December 31, 2003 and expects to remain in compliance over the next twelve months.

ON Semiconductor's ability to service its long-term debt, to remain in compliance with the various covenants and restrictions contained in its financing agreements and to fund working capital, capital expenditures and business development efforts will depend on its ability to generate cash from operating activities which is subject to, among other things, its future operating performance as well as to general economic, financial, competitive, legislative, regulatory and other conditions, some of which may be beyond its control.

If ON Semiconductor fails to generate sufficient cash from operations, it may need to raise additional equity or borrow additional funds to achieve its longer term objectives. There can be no assurance that such equity or borrowings will be available or, if available, will be at rates or prices acceptable to ON Semiconductor. Management believes that cash flow from operating activities coupled with existing cash balances will be adequate to fund ON Semiconductor's operating and capital needs as well as to enable it to maintain compliance with its various debt agreements through April 2, 2005. To the extent that results or events differ from ON Semiconductor's financial projections or business plans, its liquidity may be adversely affected.

Note 3: Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost and are depreciated over estimated useful lives of 30-40 years for buildings and 3-20 years for machinery and equipment using accelerated and straight-line methods. Expenditures for maintenance and repairs are charged to operations in the year in which the expense is incurred. When assets are retired or otherwise disposed of, the related costs and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in operations in the period realized.

The Company evaluates the recoverability of the carrying amount of its property, plant and equipment whenever events or changes in circumstances indicate that the related carrying amount of an asset may not be recoverable. Impairment is assessed when the undiscounted expected cash flows derived from an asset are less than its carrying amount. Impairment losses are measured as the amount by which the carrying value of an asset exceeds its fair value and are recognized in operating results. Judgment is used when applying these impairment rules to determine the timing of the impairment test, the undiscounted cash flows used to assess impairments and the fair value of an impaired asset. The dynamic economic environment in which the Company operates and the resulting assumptions used to estimate future cash flows impact the outcome of these impairment tests.

Revenue Recognition

The Company recognizes revenue when assembly and test services are completed on inventory consigned in from affiliates and the related products are shipped to affiliates. Revenues include the cost of assembly and test services performed plus a markup based on an intercompany transfer pricing agreement.

Research and Development Costs

Research and development costs are expensed as incurred.

Stock-Based Compensation

The Company accounts for employee stock options relating to the common stock of ON Semiconductor in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and related interpretations ("APB 25") and provides the pro forma disclosures required by SFAS No. 123 "Accounting for Stock Based Compensation" ("SFAS No. 123"). The Company measures compensation expense relating to non-employee stock awards in accordance with SFAS No. 123.

Had the Company determined employee stock compensation expense in accordance with SFAS No. 123, the Company's net income (loss) for the years ended December 31, 2003, 2002, and 2001 and the three months ended April 2, 2004 and April 4, 2003 would have been reduced (increased) to the pro forma amounts indicated below (in millions):

	Year Ended December 31,			Three Months Ended	
	2003	2002	2001	April 2, 2004	April 4, 2003
				(unaudited)	(unaudited)
Net income (loss), as reported	$ (4.0)	$ (0.2)	$ (12.4)	$ 1.7	$ (1.7)
Add: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(0.1)	(0.1)	(0.1)	(0.1)	—
Pro forma net income (loss)	$ (4.1)	$ (0.3)	$ (12.5)	$ 1.6	$ (1.7)

The fair value of each option grant has been estimated at the date of grant, using a Black-Scholes option-pricing model with the following weighted-average assumptions:

Employee Stock Options	2003	2002	2001	Three Months Ended April 2 2004	Three Months Ended April 4 2003
Expected life (in years)	5	5	5	5	5
Risk-free interest rate	3.07%	4.40%	4.95%	3.21%	3.07%
Volatility	0.70	0.70	0.70	0.70	0.70

The weighted-average estimated fair value of employee stock options granted during 2003, 2002 and 2001 was $0.76, $1.97 and $3.75 per share, respectively. The weighted-average estimated fair value of employee stock options granted during the first three months of 2004 and 2003 was $4.22 and $0.76 per share, respectively.

Income Taxes

Income taxes are accounted for using the asset and liability method and are determined on a separate return basis. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized.

Foreign Currencies

The Company utilizes the Japanese Yen as its functional currency. The net effect of gains and losses from foreign currency transactions are included in current operations. The assets and liabilities of the Company are translated into U.S. dollars at current exchange rates while revenues and expenses are translated at the average rate in effect for the period. The related translation gains and losses are included in accumulated other comprehensive income (loss) within stockholder’s equity.

Defined Benefit Plan

The Company maintains a defined benefit pension plan covering certain of its employees. For financial reporting purposes, net periodic pension costs are calculated based upon a number of actuarial assumptions, including a discount rate for plan obligations, assumed rate of return on pension plan assets and assumed rate of compensation increase for plan employees. All of these assumptions are based upon management’s judgement, considering all known trends and uncertainties. Actual results that differ from these assumptions would impact the future expense recognition and cash funding requirements of the pension plan.

Related Party Transactions

The Company has extensive transactions and relationships with ON Semiconductor and its affiliates including intercompany pricing agreements and certain manufacturing and information technology support agreements. Because of these relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

RecentAccounting Pronouncements

In the second quarter of 2003, the Company adopted FASB Interpretation No. 46 (“FIN No. 46), “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51”. FIN No. 46 requires that certain variable interest entities (VIE’s) be consolidated by the primary beneficiary, as that term is defined in FIN No. 46. The adoption of FIN No. 46 did not impact the Company’s financial condition or results of operations.

In April 2003, the FASB issued SFAS No. 149, “Amendment of Statement 133 on Derivative Instruments and Hedging Activities”. SFAS No 149 amends and clarifies the accounting guidance on derivative instruments (including certain derivative instruments embedded in other contracts) and hedging activities that fall within the scope of SFAS No. 133, “Accounting for Derivative Instruments and Hedging Activities”. SFAS No. 149 is effective for contracts entered into or modified after June 30, 2003, with certain exceptions, and for hedging relationships designated after June 30, 2003. The adoption of SFAS No. 149 did not impact the Company’s financial condition or results of operations.

In May 2003, the FASB issued SFAS No. 150, “Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity”. SFAS No. 150 specifies that freestanding financial instruments within its scope constitute obligations of the issuer that must be classified as liabilities and carried at liquidation value. Such freestanding financial instruments include mandatorily redeemable financial instruments, obligations to repurchase the issuer’s equity shares by transferring assets, and certain obligations to issue a variable number of shares. The Company’s adoption of SFAS No. 150 did not impact its financial condition or results of operations.

In December 2003, the FASB issued SFAS No. 132, “Employers’ Disclosures about Pensions and Other Postretirement Benefits (revised 2003)”. SFAS No. 132 revises employers’ disclosures about pension plans and other postretirement benefit plans. It requires additional disclosures to those in the original SFAS No. 132 about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans and other defined benefit postretirement plans. SFAS No. 132, which also requires new disclosures for interim periods beginning after December 15, 2003, is effective for fiscal years ending after December 15, 2003, except for certain disclosures associated with foreign plans which are required for years ended after June 15, 2004. The Company has included the required disclosures in Note 7 “Employee Benefit Plans”.

Note 4: Accounting Change

The Company changed its method of accounting for unrecognized net actuarial gains or losses relating to its defined benefit pension obligations effective January 1, 2003. Historically, the Company amortized such net unrecognized actuarial gains or losses over the average remaining service lives of active plan participants, to the extent that such net gains or losses exceeded the greater of 10% of the related projected benefit obligation or plan assets. The Company no longer defers actuarial gains or losses but recognizes such gains and losses during the fourth quarter of each year, which is the period the Company's annual pension plan actuarial valuations are prepared. Management believes that this change is to a preferable accounting method as actuarial gains or losses will be recognized currently in income rather than being deferred. The impact of this charge for periods prior to January 1, 2003 was a charge of $1.5 million, both before and after income taxes, and has been reflected as the cumulative effect of change in accounting principle in the Company's statement of operations for the year ended December 31, 2003.

Note 5: Restructuring, Asset Impairments and Other, net

The activity related to the Company's restructuring, asset impairments and other, net is as follows (in millions):

	Reserve Balance at December 31, 2002	2003 Charges	2003 Usage	2003 Adjustments	Reserve Balance at December 31, 2003
June 2003					
Non-cash impairment of property, plant and equipment	$ —	$ 2.0	$ (2.0)	$ —	$ —
June 2001					
Cash exit costs	0.4	—	(0.3)	(0.1)	—
	$ 0.4	$ 2.0	$ (2.3)	$ (0.1)	$ —

	Reserve Balance at December 31, 2001	2002 Charges	2002 Usage	2002 Adjustments	Reserve Balance at December 31, 2002
June 2001					
Cash employee separations charges	$ 2.6	$ —	$ (2.6)	$ —	$ —
Cash exit costs	0.5	—	—	(0.1)	0.4
	$ 3.1	$ —	$ (2.6)	$ (0.1)	$ 0.4

	Reserve Balance at December 31, 2000	2001 Charges	2001 Usage	Reserve Balance at December 31, 2001
June 2001				
Cash employee separations charges	$ —	$ 4.9	$ (2.3)	$ 2.6
Cash exit costs	—	0.5	—	0.5
Non-cash impairment of property, plant and equipment	—	4.2	(4.2)	—
Non-cash stock compensation and pension charges	—	1.5	(1.5)	—
	—			3.1
March 2001				
Cash employee separations charges	—	2.1	(2.1)	—
Non-cash impairment of property, plant and equipment	—	0.6	(0.6)	—
	—			—
	$ —	$ 13.8	$ (10.7)	$ 3.1

The following table reconciles the charges in the tables above to the "Restructuring, asset impairments and other, net" caption on the Statements of Operations for the years ended December 31, 2003, 2002 and 2001, (in millions):

	Year Ended December 31, 2003
2003 Charges	$ 2.0
Less: Reserves released during the period	(0.1)
	$ 1.9

	Year Ended December 31, 2002
2002 Charges	$ —
Less: Reserves released during the period	(0.1)
	$ (0.1)

	Year Ended December 31, 2001
2001 Charges	$ 13.8

June 2003

In June 2003, the Company recorded a charge of $2.0 million for asset impairments. The $2.0 million of asset impairments including $1.6 million for buildings and $0.4 million for machinery that would no longer be used due to the continued consolidation of manufacturing activities.

June 2001

In June 2001, the Company recorded charges totaling $11.1 million. These charges were in response to rapidly changing economic circumstances requiring the Company to rationalize its manufacturing and distribution operations to meet declining customer demand. The programs included transferring certain manufacturing activities performed at the Company's Aizu, Japan facilities to other facilities owned by the Parent or to third party contractors by December 2001.

The charge included $4.9 million to cover employee separation costs and $1.5 million for additional pension charges associated with the termination of 225 employees. All employees were terminated and the related severance payments have been made as of December 31, 2002.

The planned discontinuation of manufacturing activities triggered an impairment analysis of the carrying value of the related assets and resulted in the Company recording asset impairment charges totaling $4.2 million, related to the Aizu, Japan 4-inch wafer fabrication line. The Company measured the amount of the asset impairment by comparing the carrying value of the respective assets to the related estimated fair value. The Company estimated future net cash flows for the period of continuing manufacturing activities for each group of assets using price, volume, cost and salvage value assumptions that management considered to be reasonable in the circumstances. The impairment charges were recorded for the amount by which the carrying value of the respective assets exceeded their estimated fair value. The related assets have been sold to third parties at amounts that approximated their estimated fair values, were transferred to other manufacturing facilities at their previously existing carrying values or are currently held for sale.

The June 2001 charge also included $0.5 million to cover certain exit costs relating to facility closure and contract terminations. All exit costs were paid as of December 31, 2003.

March 2001

In March 2001, the Company recorded charges totaling $2.7 million. The charges included $2.1 million to cover employee separation costs associated with the termination of 42 employees as well as $0.6 million for equipment write-offs that were charged directly against the related assets. All impacted employees were terminated and the related severance payments had been made as of December 31, 2001.

The March 2001 charge included property and equipment write downs of $0.6 million relating to assets that could not be utilized or were transferred to other locations of ON Semiconductor.

Note 6: Long-term Debt

In 2000, the Company entered into a yen-denominated note agreement with a Japanese bank to finance the expansion of its manufacturing facilities. The loan, which had a balance of $23.0 million at April 2, 2004 (based on the yen-to-dollar exchange rate in effect at that date), bears interest at an annual rate of 2.25% and requires semi-annual principal and interest payments through September 2010 of approximately $1.9 million (based on the yen-to-dollar exchange rate at April 2, 2004.) The note is unsecured, however, the bank has rights under the agreement to obtain collateral in certain circumstances. In addition, the note is guaranteed by SCI, LLC the Company's primary domestic operating subsidiary.

Annual maturities relating to the Company's long-term debt as of December 31, 2003 are as follows (in millions):

2004	$ 3.1
2005	3.6
2006	3.6
2007	3.6
2008	3.6
Thereafter	6.8
Total	$24.3

Annual maturities relating to the Company's long-term debt as of April 2, 2004 are as follows (in millions):

Remainder of 2004	$ 1.8
2005	3.6
2006	3.6
2007	3.6
2008	3.6
Thereafter	6.8
Total	$23.0

Note 7: Balance Sheet Information

Balance sheet information is as follows (in millions):

	December 31, 2003	December 31, 2002	April 2, 2004 (unaudited)
Property, plant and equipment, net:			
Land	$ 9.4	$ 8.4	$ 9.6
Buildings	84.8	80.4	86.5
Machinery and equipment	127.1	144.0	131.1
Total property, plant and equipment	221.3	232.8	227.2
Less: Accumulated depreciation	(149.7)	(160.3)	(155.2)
	$ 71.6	$ 72.5	$ 72.0
Accrued expenses:			
Current portion of pension liability	$ 1.3	$ 1.2	$ 1.3
Accrued payroll	2.2	2.0	2.4
Restructuring reserves	—	0.4	—
Other	0.5	0.2	0.3
	$ 4.0	$ 3.8	$ 4.0
Other long-term liability:			
Pension liability	$ 5.2	$ 5.0	$ 5.1
Other	0.2	0.3	0.3
	5.4	5.3	5.4
Accumulated other comprehensive income:			
Foreign currency translation adjustments	$ 1.0	$ (2.0)	$ 1.6
Additional minimum pension liability	—	(0.6)	—
	$ 1.0	$ (2.6)	$ 1.6

Depreciation expense totaled $10.0 million, $11.7 million and $13.2 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 8: Income Taxes

The income tax provision (benefit) is as follows (in millions):

	Year Ended December 31, 2003	2002	2001
Current	$0.2	$0.2	$ 0.4
Deferred	1.3	0.8	(3.4)
	$1.5	$1.0	$(3.0)

A reconciliation of the Japanese statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31,		
	2003	2002	2001
Japanese federal statutory rate	(40.0)%	40.0%	(36.5)%
Increase (decrease) resulting from:			
Non-deductible corporate expense allocation	28.0	55.0	1.4
Valuation allowance	145.2	—	13.6
Other	16.8	30.0	2.0
	150.0%	125.0%	(19.5)%

Deferred tax assets (liabilities) are as follows (in millions):

	Year Ended December 31,	
	2003	2002
Reserves and accruals	$ 0.6	$ 0.6
Fixed assets	(2.8)	(3.2)
Inventory	0.5	0.4
Net operating loss	4.1	3.9
Other	2.9	2.3
Gross deferred tax assets	5.3	4.0
Valuation allowance	(5.3)	(2.7)
Net deferred tax asset	$ —	$ 1.3

As of December 31, 2003 and 2002, the Company's net operating loss carryforwards were $11.3 million and $10.8 million, respectively. If not utilized, these net operating losses will expire in varying amounts from 2006 to 2008.

Cash paid for income taxes was $0.0 million, $0.0 million and $4.3 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 9: Notes Payable to Affiliates

In conjunction with the Recapitalization, the Company entered into a note payable with the Parent totaling $101.1 million. Borrowings under the note bear interest at 10.5% (payable monthly) and are due December 31, 2004. As of December 31, 2003 and 2002, $15.8 million and $22.3 million was outstanding under this note payable.

The Company also entered into a note payable with an affiliate totaling $1.7 million denominated in Japanese Yen (based on the yen- to-dollar exchange rate at December 31, 2003). Borrowings under the note payable bear interest at 3.0% (payable monthly) and are due December 30, 2006.

Cash paid for interest was $2.0 million, $2.9 million and $4.1 million for the years ended December 31, 2003, 2002 and 2001, respectively.

Note 10: Employee Benefit Plan

Defined Benefit Plan

The Company has a pension plan that covers most employees. The benefit formula is dependent upon employee years of service. The Company's policy is to fund the plan in accordance with the requirements and regulations of Japanese labor laws. Benefits under this pension plan are valued using the projected unit credit cost method. The Company expects to contribute $1.2 million to the pension plan in 2004 based on its current assessment of the economic environment.

The following is a summary of the status of the Company's pension plan and the net periodic pension cost (dollars in millions):

	Year Ended December 31,		
	2003	**2002**	**2001**
Service cost	$ 0.6	$ 0.5	$ 0.9
Interest cost	0.2	0.2	0.4
Expected return on plan assets	(0.1)	(0.1)	(0.4)
Amortization of net loss	1.6	—	—
Amortization of prior service cost	0.2	0.2	0.3
Settlement losses	—	—	3.2
Net periodic pension cost	$ 2.5	$ 0.8	$ 4.4
Weighted average assumption			
Discount rate	2.00%	3.00%	3.00%
Expected return on plan assets	3.50%	5.00%	5.00%
Rate of compensation increase	1.00%	2.00%	2.00%

	December 31,	
	2003	2002
Change in projected benefit obligation		
Projected benefit obligation at the beginning of the year	$ 8.6	$11.1
Service cost	0.6	0.5
Interest cost	0.2	0.2
Actuarial gain	0.1	0.8
Benefits paid	(0.3)	(4.4)
Translation gain	1.1	0.6
Projected benefit obligation at the end of the year	10.3	8.8
Accumulated benefit obligation at the end of the year	10.1	8.6
Change in plan assets		
Fair value of plan assets at the beginning of the year	$ 1.8	$ 5.4
Actual return on plan assets	(0.1)	(0.3)
Benefits paid	(0.3)	(4.5)
Employer contributions	1.2	1.0
Translation gain	0.3	0.2
Fair value of plan assets at the end of the year	2.9	1.8
Net amount recognized		
Funded status	(7.4)	(7.0)
Unrecognized prior service cost	1.0	1.1
Unrecognized net actuarial losses	—	1.4
Net amount recognized	(6.4)	(4.5)
Amounts recognized in the statement of financial position		
Accrued benefit liability	(1.3)	(1.2)
Other long-term liabilities	(5.2)	(5.0)
Intangible asset	0.1	1.1
Accumulated other comprehensive income	—	0.6
Net amount recognized	(6.4)	(4.5)
Weighted average assumptions at the end of the year		
Discount rate	2.00%	2.00%
Rate of compensation increase	1.00%	1.00%

As of April 2, 2004 and December 31, 2003, the total accrued pension liability was $6.4 million and $6.4 million, respectively. The components of our net periodic pension expense for the three months ended April 2, 2004 and April 4, 2003 are as follows (in millions):

	April 2, 2004	April 4, 2003
Service cost	$ 0.2	$ 0.1
Interest cost	—	0.1
Cumulative effect of accounting change	—	1.5
Total net periodic pension cost	$ 0.2	$ 1.7

Note 11: Stock Options

Certain employees of the Company participate in ON Semiconductor stock option plans.

Generally, the options granted under these plans vest over a period of four years. Upon the termination of an option holder's employment, all unvested options will immediately terminate and vested options will generally remain exercisable for a period of 90 days after date of termination (one year in the case of death or disability).

Information with respect to the activity of the stock option plans as it relates to the employees of the Company is as follows (in millions, except per share data):

	2003		2002		2001	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	0.2	$ 3.73	0.2	$ 4.20	0.2	$ 5.55
Grants	0.1	1.25	—		0.1	6.06
Exercises	—	—	—	—	—	—
Cancellations	—	—	—	—	(0.1)	8.66
Outstanding at end of year	0.3	$ 3.31	0.2	$ 3.73	0.2	$ 4.20
Exercisable at end of year	0.2	$ 3.39	0.1	$ 3.54	0.1	$ 2.81
Weighted average fair value of options granted during the period		$ 0.76		$ 1.97		$ 3.75

The following tables summarize options outstanding and options exercisable at December 31, 2003:

	Outstanding Options		
	Number Shares	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price
Range of Exercise Prices			
$1.25-$1.50	0.2	6.44	$ 1.45
$3.22-$6.13	0.1	8.07	3.22
Totals	0.3		3.31

	Exercisable Options		
	Number Shares	Weighted Average Contractual Life (in years)	Weighted Average Exercise Price
Range of Exercise Prices			
$1.25-$1.50	0.1	5.70	$ 1.50
$3.22-$6.13	0.1	7.15	6.13
Totals	0.2		3.39

These options will expire if not exercised at specific dates through November 2012.

Note 12: Foreign Currency Exchange Contracts

The Company’s foreign currency exposures are included in ON Semiconductor’s worldwide foreign currency exposure management program. ON Semiconductor aggregates the forecasted foreign currency exposures for each of its subsidiaries on a monthly basis and enters into forward currency contracts in order to reduce its overall exposure to the effects of currency fluctuations on its results of operations and cash flows. The Company’s net foreign currency transaction losses included in the accompanying statement of operations for the years ended December 31, 2003, 2002 and 2001 are $0.8 million, $0.7 million and $6.1 million, respectively.

Note 13: Commitments and Contingencies

Legal Matters

ON Semiconductor is currently involved in a variety of legal matters that arose in the normal course of business. Based on information currently available, management does not believe that the ultimate resolution of these matters will have a material adverse effect on ON Semiconductor’s financial condition, results of operations or cash flows.

Common Stock Collateral Pledge

On May 6, 2002, ON Semiconductor and SCI LLC (collectively, the “Issuers”) issued $300 million principal amount of second lien notes due 2008. The notes are jointly and severally, fully and unconditionally guaranteed on a senior basis by ON Semiconductor’s domestic restricted subsidiaries that are guarantors under its senior subordinated notes. In addition, the notes and guarantees are secured on a second priority basis by the capital stock or other equity interests of ON Semiconductor's domestic subsidiaries, 65% of the capital stock or other equity interests of its first-tier foreign subsidiaries, including the Company, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

On March 3, 2003, the Issuers issued $200.0 million principal amount of first-lien senior secured notes due 2010. The notes are fully and unconditionally guaranteed on a joint and several basis by each of the domestic subsidiaries of ON Semiconductor (other than SCI LLC). The notes and guarantees are secured on a first-priority basis by the capital stock or other equity interests of ON Semiconductor's domestic subsidiaries, 65% of the capital stock or other equity interests of its first-tier foreign subsidiaries, including the Company, and substantially all other assets, in each case that are held by ON Semiconductor or any of the guarantors, but only to the extent that obligations under its senior bank facilities are secured by a first-priority lien thereon.

Note 14: Fair Value of Financial Instruments

The Company uses the following methods to estimate the fair value of its financial instruments:

Cash and Cash Equivalents

The carrying amount approximates fair value due to the short-term maturities of such instruments.

Notes Payable to Affiliate

Due to the related-party nature of the notes payable to affiliate, it was not practicable to estimate their fair values due to the inability to obtain quoted market prices to determine current market rates for similar instruments. At December 31, 2003 and 2002, the carrying value of the notes payable to affiliate was $17.5 million, and $23.8 million respectively.

Exhibit 99.7

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-114045, No. 333-111702, No. 333-86870 and No. 333-73320) and the Registration Statements on Form S-8 (No. 333-34130, No. 333-37638, No. 333-71336, No. 333-107895 and No. 333-107896) of ON Semiconductor Corporation of the following reports, all of which appear in ON Semiconductor Corporation's Current Report on Form 8-K to be filed on or about May 11, 2004:

- Our report dated February 2, 2004, except for the third paragraph of Note 2 for which the date is February 9, 2004, relating to the consolidated financial statements of Semiconductor Components Industries, LLC (a wholly-owned subsidiary of ON Semiconductor Corporation);
- Our report dated February 2, 2004, except for the third paragraph of Note 2 for which the date is February 9, 2004, relating to the consolidated financial statements of SCG (China) Holding Corporation (a wholly-owned subsidiary of ON Semiconductor Corporation);
- Our report dated February 2, 2004, except for the third paragraph of Note 2 for which the date is February 9, 2004, relating to the consolidated financial statements of ON Semiconductor Trading Ltd. (an indirect wholly-owned subsidiary of ON Semiconductor Corporation);
- Our report dated February 2, 2004, except for the third paragraph of Note 2 for which the date is February 9, 2004, relating to the consolidated financial statements of SCG Malaysia Holdings Sdn. Bhd. (an indirect wholly-owned subsidiary of ON Semiconductor Corporation);
- Our report dated February 2, 2004, except for the third paragraph of Note 2 for which the date is February 9, 2004, relating to the financial statements of SCG Philippines, Incorporated (an indirect wholly-owned subsidiary of ON Semiconductor Corporation); and,
- Our report dated February 2, 2004, except for the third paragraph of Note 2 for which the date is February 9, 2004, relating to the financial statements of ON Semiconductor Japan Technology, Ltd. (an indirect wholly-owned subsidiary of ON Semiconductor Corporation).

/s/ PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP
Phoenix, Arizona
May 10, 2004