

PART I

Item 1. *Business*

Business Overview

ON Semiconductor Corporation, which was incorporated under the laws of the state of Delaware in 1999, together with its subsidiaries (“we,” “us,” “our,” “ON Semiconductor,” or the “Company”), is driving innovation in energy efficient electronics. Our extensive portfolio of sensors, power management, connectivity, custom and SoC, analog, logic, timing, and discrete devices helps customers efficiently solve their design challenges in advanced electronic systems and products. Our power management and motor driver semiconductor components control, convert, protect and monitor the supply of power to the different elements within a wide variety of electronic devices. Our custom ASICs use analog, MCU, DSP, mixed-signal and advanced logic capabilities to act as the brain behind many of our automotive, medical, aerospace/defense, consumer and industrial customers’ products. Our signal management semiconductor components provide high-performance clock management and data flow management for precision computing, communications and industrial systems. Our growing portfolio of sensors, including a leadership position in image sensors, optical image stabilization and auto focus devices provide advanced solutions for automotive, wireless, industrial and consumer applications. Our standard semiconductor components serve as “building blocks” within virtually all types of electronic devices. These various products fall into the logic, analog, discrete, image sensors, IoT, and memory categories used by the WSTS group.

We serve a broad base of end-user markets, including automotive, communications, computing, consumer, medical, industrial, networking, telecom and aerospace/defense. Our devices are found in a wide variety of end products including automobiles, smartphones, media tablets, wearable electronics, personal computers, servers, industrial building and home automation systems, factory automation, consumer white goods, security and surveillance systems, machine vision, LED lighting, power supplies, networking and telecom equipment, medical diagnostics, imaging and hearing health, sensor networks, robotics and the IoT.

Our portfolio of devices enables us to offer advanced ICs and the “building block” components that deliver system level functionality and design solutions. Our extensive product portfolio consisted of approximately 84,000 products in 2016, and we shipped approximately 59.4 billion units in 2016 as compared to 49.0 billion units in 2015. We offer micro packages, which provide increased performance characteristics while reducing the critical board space inside today’s ever shrinking electronic devices and power modules, delivering improved energy efficiency and reliability for a wide variety of medium and high power applications. We believe that our ability to offer a broad range of products, combined with our applications and global manufacturing and logistics network, provides our customers with single source purchasing on a cost-effective and timely basis.

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From time to time, we reassess the alignment of our product families and devices to our operating segments and may move product families or individual devices from one operating segment to another. During the third quarter of 2016, we realigned our segments into three operating segments, which also represent our three reporting segments, to optimize efficiencies resulting from the acquisition of Fairchild: Power Solutions Group, Analog Solutions Group, and Image Sensor Group. Each of our major product lines has been assigned to a segment, as illustrated in the table below, based on our operating strategy.

Power Solutions Group	Analog Solutions Group	Image Sensor Group
Bipolar Power (8)	Automotive ASSPs (1)	CCD Image Sensors (7)
Thyristor (8)	Analog Automotive (2)	CMOS Image Sensors (7)
Small Signal (8)	Automotive Power Switching (3)	Proximity Sensors (13)
Zener (8)	Automotive Mixed-Signal Solutions (1)	Linear Light Sensors (7)
Protection (3)	Medical ASICs & ASSPs (1)	Image Stabilizer ICs (12)
Rectifier (8)	Mixed-Signal ASICs (1)	Auto Focus ICs (12)
Filters (3)	Industrial ASSPs (1)	
	High Frequency /	
MOSFETs (3)	Timing (4)	
Signal & Interface (2)	IPDs (5)	
	Foundry and	
Standard Logic (6)	Manufacturing Services (5)	
LDO's & VREGs (2)	Hearing Components (1)	
EE Memory and Programmable Analog (9)	DC-DC Conversion (2)	
IGBTs (3)	Analog Switches (6)	
Power MOSFETs (10)	AC-DC Conversion (2)	
Power and Signal Discretes (10)	Low Voltage Power Management (2)	
Intelligent Power Modules (11)	Power Switching (2)	
Smart Passive Sensors (13)	RF Antenna Tuning Solutions (1)	
PIM (14)	Motor Driver ICs (12)	
	Display Drivers (12)	
	ASICs (12)	
	Microcontrollers (12)	
	Flash Memory (12)	
	Touch Sensor (12)	
	Power Supply IC (12)	
	Audio DSP (12)	
	Audio Tuners (12)	
	(1) ASIC products	(8) Discrete products
	(2) Analog products	(9) Memory products
	(3) TMOS products	(10) HD products
	(4) ECL products	(11) IPM products
	(5) Foundry products / services	(12) LSI products
	(6) Standard logic products	(13) Other sensor products
	(7) Image sensor / ASIC products	(14) PIM Products

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We currently have domestic design operations in Arizona, California, Idaho, New York, Oregon, Pennsylvania, Rhode Island, Texas and Utah. We also have foreign design operations in Belgium, Canada, China, the Czech Republic, France, Germany, India, Ireland, Japan, Korea, Philippines, Romania, Slovakia, Slovenia, Switzerland, Taiwan and The Netherlands. Additionally, we currently operate domestic manufacturing facilities in Idaho, Maine, Pennsylvania, New York and Oregon and have foreign manufacturing facilities in Belgium, Canada, China, Czech Republic, Japan, Korea, Malaysia, Philippines and Vietnam. We also have global distribution centers in China, Hong Kong, Philippines and Singapore.

Company Highlights for the year ended December 31, 2016

- Total revenues of \$3,906.9 million
- Gross margin of 33.2%
- Net income of \$0.43 per diluted share
- Cash and cash equivalents of \$1,028.1 million
- Closed the Fairchild acquisition for \$2,532.2 million

2016 Acquisition Activity

We have historically pursued strategic acquisitions to leverage our existing capabilities and further build our business. Such activities continued during 2016.

On September 19, 2016, we completed our acquisition of Fairchild Semiconductor International, Inc., a Delaware corporation (“Fairchild”), pursuant to the Agreement and Plan of Merger with each of Fairchild and Falcon Operations Sub, Inc., a Delaware corporation and our wholly-owned subsidiary, pursuant to which Fairchild became our wholly-owned subsidiary (the “Fairchild Transaction”). The aggregate purchase price of the Fairchild Transaction was approximately \$2,532.2 million and was funded by the borrowings under our Term Loan “B” Facility and a partial draw of our Revolving Credit Facility (as such terms are defined below under “Management’s Discussion and Analysis of Results of Operations - Key Financing and Capital Events - Fairchild Transaction Financing”) and with cash on hand. See Note 4: “Acquisitions and Divestitures” in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information.

We believe that the Fairchild Transaction creates a power semiconductor leader with strong capabilities in a rapidly consolidating semiconductor industry. Ultimately, we believe that the combination of Fairchild operations with our existing operations will provide complementary product lines to offer customers the full spectrum of high, medium and low voltage products. We will continue to pioneer technology and design innovation in efficient energy consumption to help our customers achieve success and drive value for our partners and employees around the world. We believe the acquisition of Fairchild also expands our footprint in wireless communication products, particularly in high efficiency power conversions and USB Type C communication and power delivery. See Notes 4: “Acquisitions and Divestitures,” 6: “Restructuring, Asset Impairments and Other, Net,” 7: “Balance Sheet Information,” 8: “Long-Term Debt,” and 15: “Income Taxes” in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for additional information about the Fairchild Transaction.

Products and Technology

The following provides certain information regarding the products and technologies by each of our operating segments. See “Business Overview” above and Note 18: “Segment Information” in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for other information regarding our segments and their revenues and property, plant and equipment and the income derived from each segment.

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Power Solutions Group

The Power Solutions Group offers a wide array of discrete, module and integrated semiconductor products that perform multiple application functions, including power switching, power conversion, signal conditioning, circuit protection, signal amplification and voltage reference functions. The trends driving growth within our end-user markets are primarily higher power efficiency and power density in power applications, the demand for greater functionality in small handheld devices, and faster data transmission rates in all communications. The advancement of existing volt electrical infrastructure, electrification of power train in the form of EV/HEV, higher trench density enabling lower losses in power efficient packages and lower capacitance and integrated signal conditioning products to support faster data transmission rates, significantly increase the use of high power semiconductor solutions. Certain of the Power Solutions Group's broad portfolio of products and solutions are summarized below:

- *Automotive electronics*

Over 5,000 AEC qualified products, covering the spectrum from discrete to integrated, as well as automotive modules and known good die to support automotive modules.

- *Industrial electronics*

Focused on advanced power technologies to support high performance power conversion for high-end power supply/UPS, alternative energy, and industrial motors.

- *Computing*

MOSFETs and protection devices supporting latest chipsets. Multichip power solutions and advanced LDOs to support power efficiency requirements in new computing platforms. GaN technology enables drastic reduction in power adaptor size.

- *Communications*

Continue to introduce world's smallest packages: DFN MOSFETs, Chip Scale Package (MOSFET/EEPROMs), EEPROMs and LDOs, DFN 01005 and X4DFN for small signal devices and protection. Low capacitance ESD and common mode filters for high speed serial interface protection.

Analog Solutions Group

The Analog Solutions Group designs and develops analog, mixed-signal, and advanced logic ASICs and ASSPs, and power solutions for a broad base of end-users in the automotive, consumer, computing, industrial, communications, medical and aerospace/defense markets. Our product solutions enable industry leading active mode and standby mode efficiency now being demanded by regulatory agencies around the world. Additionally, the Analog Solutions Group offers Trusted Foundry, Trusted Design, and manufacturing services, and IPD products technology, which leverage the Company's broad range of manufacturing, IC design, packaging, and

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silicon technology offerings to provide turn-key solutions for our customers. Certain of the Analog Solutions Group's broad portfolio of products and solutions are summarized below:

- *Automotive electronics*

Energy efficient solutions that reduce emissions, improve fuel economy and safety, enhance lighting, and make possible an improved driving experience.

- *Communications*

High efficiency mixed-signal, power management, and RF products that enable our customers to maximize the performance of their products while preserving critical battery life. RF Tuning solutions to enhance radio performance. Fast charging (wall-to-battery including wireless charging), multi-media, and ambient awareness system solutions to address increasing customer desire for innovation.

- *Computing*

Solutions for a wide range of voltage and current options ranging from multi-phase 30 volt power for VCOR processors, power stage and single cell battery point of load. Thermal and battery charging solutions as well as high density power conversion solutions are also supported.

- *Industrial electronics*

Power efficient communication and sensor interface products, and motor control products. Wired and low power RF wireless connectivity for IoT applications. Residential & commercial grade circuit breaking products for GFCI & AFCI applications. FDA-compliant assembly and packaging manufacturing services.

Image Sensor Group

The Image Sensor Group designs and develops CMOS and CCD image sensors, as well as proximity sensors, image signal processors, and actuator drivers for autofocus and image stabilization for a broad base of end-users in the automotive, industrial, consumer, wireless, medical, and aerospace/defense markets. Our broad range of product offerings delivers excellent pixel performance, sensor functionality and camera systems capabilities to a world in which high quality visual imagery is becoming increasingly important to our customers and their end-users. With our high-quality imaging portfolio, camera system and applications expertise, our customers can deliver new and differentiated imaging solutions to their end-markets. Certain of the Image Sensor Group's broad portfolio of products and solutions are summarized below:

- *Automotive imaging*

High dynamic range, low-light, fast video frame rates with near-IR sensitivity for scene viewing to dramatically reduce automotive injuries and fatalities, and scene understanding for ADAS and Automated Driving to improve safety and enhance the overall driving experience.

- *Industrial Imaging*

A broad range of both CMOS and CCD image sensors for aerial surveillance, intelligent traffic systems, one dimensional light and proximity sensor modules, smart home, lighting, industrial automation, smart cities and aerospace/defense applications.

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- [Wireless and Consumer Electronics](#)

A broad range of CMOS sensors and driver actuators for high performance mobile phones, PCs, tablets, high-speed video cameras, and various unique consumer applications. Our solutions offer superior image quality, fast frame rates, high definition, and low light sensitivity to provide customers with a compelling visual experience, especially in emerging applications in IoT markets for security, surveillance and Internet Protocol cameras.

Customers

In general, we have maintained long-term relationships with our key customers. Sales agreements with customers are renewable periodically and contain certain terms and conditions with respect to payment, delivery, warranty and supply, but typically do not require minimum purchase commitments. Most of our OEM customers negotiate pricing terms with us on an annual basis near the end of the calendar year, while our other customers, including electronic manufacturer service providers and distributors, generally negotiate pricing terms with us on a quarterly basis. Our products are ultimately purchased for use in a variety of end-markets, including computing, automotive, consumer, industrial, communications, networking, aerospace/defense and medical. For the years ended December 31, 2016, December 31, 2015, and December 31, 2014, we had no sales to individual customers, including distributors, that accounted for 10% or more of our total consolidated revenues.

For the year ended December 31, 2016, aggregate revenue from our five largest customers per segment, including distributors, for our Power Solutions Group, Analog Solutions Group, and Image Sensor Group, comprised approximately 40%, 31%, and 51%, respectively, of our total consolidated revenue. The loss of certain of these customers or distributors may have a material adverse effect on the operations of the respective segment.

We generally warrant that products sold to our customers will, at the time of shipment, be free from defects in workmanship and materials and conform to our approved specifications. Subject to certain exceptions, our standard warranty extends for a period of two years. Generally, our customers may cancel orders 30 days prior to shipment for standard products and 90 days prior to shipment for custom products without incurring a significant penalty. For additional information regarding agreements with our customers, see “Backlog and Inventory” below.

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End-Markets for Our Products

The following table sets forth our principal end-markets, the estimated percentage (based in part on information provided by our distributors and electronic manufacturing service providers) of our revenues generated from each end-market during 2016, sample applications for our products and representative OEM customers and end-users.

	Computing	Consumer	Automotive	Industrial	Communications	Networking	Aerospace/ Defense	Medical
Approximate percentage of 2016 Revenue	12%	12%	34%	19%	16%	3%	1%	3%
Sample applications	Notebooks, Ultrabooks, & 2-in-1s	Music Players, Digital Cameras & Video Recorders	Fuel Economy & Emission Reduction	Smart Grid & Metering	Tablets	Switches	Cockpit Displays	Hearing Health
	Desktop PCs & All-in-Ones	Flat TVs & Set-Top Boxes	Active Safety (ADAS and Viewing)	Security & Surveillance	Smart phones	Routers	Guidance Systems	Imaging
	USB Type C	Gaming & Home Entertainment Systems	Body Electronics & Lighting	Machine Vision	Back lighting & Display Control	Base Stations	Infrared Imaging	Diagnostic, Therapy, & Monitoring
	Graphics	White Goods	Infotainment & Connectivity	Motor Control	RF Tuning	Power Supplies	Image Sensors	Implantable Devices
	Servers & Workstations	USB Type C	Power Supplies	Smart Buildings			Machine Vision	Wearable Devices
	Power Supplies	Power Supplies	EV/HEV	Robotics				
		Drones		Power Supplies				
		AR/VR		Industrial Automation				
		Wearable Devices		Drones				
				AR/VR				
Representative OEM customers and end-users	Asus	GoPro, Inc.	Bosch GMBH	Bosch GMBH	BBK Electronics	Alcatel Lucent	Aeroflex	Boston Scientific
	Dell Computer	Gree, Inc.	Continental	Dahua Technology	Huawei Tech Co., Ltd.	Cisco	British Aerospace	General Electric Co.
	Delta Electronics, Inc.	LG Electronics	Delphi	Delta Electronics	Lenovo	Delta Electronics	General Electric Co.	Intricon Corp
	Foxconn	Microsoft	Denso Corporation	Emerson Electric Co	LG	Ericsson	Honeywell Inc	Medtronic
	Gigabyte	Midea	Fujitsu Ten LTD	Grundfos	Samsung Electronics	Huawei	L-3	Philips
	Hewlett Packard Co	Panasonic Corporation	Hella	Hikvision Digital Technology Co., Ltd.	Sony Mobile	Nokia Solutions and Networks	Lockheed Martin	St. Jude Medical
	Lenovo	Philips	Hyundai Mobis Co., Ltd.	Honeywell Inc.	ZTE Hong Kong Ltd	ZTE Hong Kong LTD	Raytheon Co	Starkey Laboratories
	Quanta	Samsung Electronics	Magna International	Kionix INC			Rockwell Collins	
	Seagate Technology	Sony Corp	Magneti Marelli	Philips			Sofradir	
	Western Digital Corporation	Whirlpool Corp	TRW Inc	Schneider Electric				
			Valeo	Siemens Industrial				
			Visteon					

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OEMs Direct sales to OEMs accounted for approximately 38% of our revenues in 2016, 39% of our revenues in 2015 and 42% of our revenues in 2014. OEM customers include a variety of companies in the electronics industry such as Bosch GmbH, Continental Automotive Systems, Delphi, Hella, Huawei Technologies Co. Ltd., Magna International, Panasonic Corporation and Samsung Electronics. We focus on three types of OEMs: multi-nationals, selected regional accounts and target market customers. Large multi-nationals and selected regional accounts, which are significant in specific markets, are our core OEM customers. The target market customers for our end-markets are OEMs that are on the leading edge of specific technologies and provide direction for technology and new product development. Generally, our OEM customers do not have the right to return our products following a sale other than pursuant to our standard warranty.

Distributors Sales to distributors accounted for approximately 56% of our revenues in 2016, 54% of our revenues in 2015 and 50% of our revenues in 2014. Our distributors, which include Arrow, Avnet, Macnica, OS Electronics, World Peace and WT Microelectronics, resell to mid-sized and smaller OEMs and to electronic manufacturing service providers and other companies. Sales to certain distributors are made pursuant to agreements that provide return rights with respect to discontinued or slow-moving products. Under certain agreements, distributors are allowed to return any product that we have removed from our price book. In addition, agreements with certain of our distributors contain stock rotation provisions permitting limited levels of product returns. Due to current limitations on the feasibility of estimating the upfront effect of returns and allowances with these distributors, we defer recognition of revenue and gross profit on sales to these distributors until these distributors resell the product. As a result, sales returns have minimal impact on our results of operations.

Electronic Manufacturing Service Providers Direct sales to electronic manufacturing service providers accounted for approximately 6% of our revenues in 2016, 7% of our revenues in 2015 and 8% of our revenues in 2014. Among our largest electronic manufacturing service customers are Benchmark Electronic, Flextronics, Jabil and Sanmina. These customers are manufacturers who typically provide contract manufacturing services for OEMs. Originally, these companies were involved primarily in the assembly of printed circuit boards, but they now typically provide design, supply management and manufacturing solutions as well. Many OEMs now outsource a large part of their manufacturing to electronic manufacturing service providers in order to focus on their core competencies. We are pursuing a number of strategies to penetrate this increasingly important marketplace. Generally, our electronic manufacturing service customers do not have the right to return our products following a sale other than pursuant to our standard warranty.

See “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and Note 18: “Segment Information” in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for revenues by geographic locations.

Manufacturing Operations

We operate front-end wafer fabrication facilities in Belgium, Czech Republic, Japan, Korea, Malaysia, and the United States and back-end assembly and test site facilities in Canada, China, Japan, Malaysia, Philippines, Vietnam and the United States. In addition to these front-end and back-end manufacturing operations, our facility in Roznov, Czech Republic manufactures silicon wafers that are used by a number of our facilities.

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The table below sets forth information with respect to the manufacturing facilities we operate either directly or through our joint venture with Leshan-Phoenix Semiconductor Company Limited, a joint venture company in which we own a majority of the outstanding equity interests (“Leshan”), as well as the reporting segments that use these facilities, along with the approximate gross square footage of each site’s building, which includes, among other things, manufacturing, laboratory, warehousing, office, utility, support and unused areas.

Location	Reporting Segment	Size (sq. ft.)
<i>Front-end Facilities:</i>		
Gresham, Oregon	Analog Solutions Group, Image Sensor Group and Power Solutions Group	558,457
Pocatello, Idaho	Analog Solutions Group, Image Sensor Group and Power Solutions Group	582,384
Roznov, Czech Republic	Analog Solutions Group and Power Solutions Group	438,882
Oudenaarde, Belgium	Analog Solutions Group, Image Sensor Group and Power Solutions Group	711,410
Seremban, Malaysia (Site 2) (3)	Analog Solutions Group and Power Solutions Group	124,910
Niigata, Japan	Analog Solutions Group, Image Sensor Group and Power Solutions Group	1,106,779
Rochester, New York (2)	Image Sensor Group	275,642
Bucheon, South Korea	Analog Solutions Group and Power Solutions Group	861,081
South Portland, Maine	Analog Solutions Group and Power Solutions Group	344,588
Mountaintop, Pennsylvania	Analog Solutions Group and Power Solutions Group	437,000
<i>Back-end Facilities:</i>		
Burlington, Canada (1) (3)	Analog Solutions Group	95,440
Leshan, China (3)	Analog Solutions Group and Power Solutions Group	416,339
Seremban, Malaysia (Site 1) (3)	Analog Solutions Group and Power Solutions Group	328,278
Carmona, Philippines (3)	Analog Solutions Group, Image Sensor Group and Power Solutions Group	926,367
Tarlac City, Philippines (3)	Analog Solutions Group, Image Sensor Group and Power Solutions Group	381,764
Shenzhen, China (1)(3)	Analog Solutions Group, Image Sensor Group and Power Solutions Group	275,463
Bien Hoa, Vietnam (3)	Analog Solutions Group and Power Solutions Group	294,418
Gunma, Japan (1) (3)	Power Solutions Group	514,854
Rochester, New York (2)	Image Sensor Group	275,642
Nampa, Idaho (1)	Image Sensor Group	166,268
Cebu, Philippines (3)	Analog Solutions Group and Power Solutions Group	228,460
Suzhou, China (3)	Analog Solutions Group and Power Solutions Group	462,639
<i>Other Facilities:</i>		
Roznov, Czech Republic	Analog Solutions Group, Image Sensor Group and Power Solutions Group	438,882
Thuan An District, Vietnam (3)	Power Solutions Group	30,494

(1) These facilities are leased.

(2) This facility is used for both front-end and back-end operations with a total square footage of 275,642. Consists of one leased and one owned building.

(3) These facilities are located on leased land.

We operate all of our manufacturing facilities directly, with the exception of our assembly and test operations facility located in Leshan, China, which is owned by Leshan. Our investment in Leshan has been consolidated in our financial statements. Our joint venture partner, Leshan Radio Company Ltd., is formerly a state-owned enterprise. Pursuant to the joint venture agreement, requests for production capacity are made to the board of directors of Leshan by each shareholder of the joint venture. Each request represents a purchase commitment by the requesting shareholder, provided that the 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 satisfying the commitment. We committed to purchase 80% of Leshan’s production capacity in each of 2016 and 2015, and 70% in 2014, and are currently committed to purchase approximately 80% of Leshan’s expected production capacity in 2017.

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We use third-party contractors for some of our manufacturing activities, primarily for wafer fabrication and the assembly and testing of finished goods. Our agreements with these contract manufacturers typically require us to forecast product needs and commit to purchase services consistent with these forecasts. In some cases, longer-term commitments are required in the early stages of the relationship. These contract manufacturers, including Amkor, ASE, Kingpak, SMIC, TPSCo and UMC, collectively accounted for approximately 36%, 39% and 30% of our manufacturing costs in 2016, 2015 and 2014, respectively.

For information regarding risks associated with our foreign operations, see “Risk Factors - Trends, Risks and Uncertainties Related to Our Business” included elsewhere in this Form 10-K.

Raw Materials

Our manufacturing processes use many raw materials, including silicon wafers, gold, copper, lead frames, mold compound, ceramic packages and various chemicals and gases. We obtain our raw materials and supplies from a large number of sources, generally on a just-in-time basis, and material agreements with our suppliers that impose minimum or continuing supply obligations are reflected in our contractual obligations table in “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources - Contractual Obligations” included elsewhere in this Form 10-K. From time to time, suppliers may extend lead times, limit supplies or increase prices due to capacity constraints or other factors. Although we believe that supplies of the raw materials we use are currently and will continue to be available, shortages could occur in various essential materials due to interruption of supply, increased demand in the industry or other factors.

Sales, Marketing and Distribution

As of December 31, 2016, our sales and marketing organization consisted of approximately 1,700 professionals, servicing customers globally. We support our customers through logistics organizations and just-in-time warehouses. Global and regional distribution channels further support our customers’ needs for quick response and service. We offer efficient, cost-effective global applications support from our Technical Information Centers and Solution Engineering Centers, allowing for applications which are developed in one region of the world to be instantaneously available throughout all other regions.

Patents, Trademarks, Copyrights and Other Intellectual Property Rights

We market our products primarily under our registered trademark ON Semiconductor® and our ON logo, and, in the United States and internationally, we rely primarily on a combination of patents, trademarks, copyrights, trade secrets, employee and non-disclosure agreements and licensing agreements to protect our intellectual property. We acquired or were licensed or sublicensed to a significant amount of IP, including patents and patent applications, in connection with our acquisitions, and we have numerous U.S. and foreign patents issued, allowed and pending. As of December 31, 2016, we held patents with expiration dates ranging from 2017 to 2038, and none of the patents that expire in the next three years materially affect our business. Our policy is to protect our products and processes by asserting our IP rights where appropriate and prudent and by obtaining patents, copyrights and other IP rights used in connection with our business when practicable and appropriate.

Seasonality

Historically, our revenues have been affected by the cyclical nature of the semiconductor industry and the seasonal trends of related end-markets, which typically results in a stronger second half of the year for certain end-markets as compared to the first half of the year. With our recent acquisitions and our continued focus on the

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automotive end market, we have started to experience a stronger first half of the year, which partially offsets the seasonality experienced during the prior years. However, in the future, we could experience period-to-period fluctuations in operating results due to general industry or economic conditions or for other reasons. For information regarding risks associated with the cyclical and seasonality of our business, see “Risk Factors - Trends, Risks and Uncertainties Related to Our Business” included elsewhere in this Form 10-K.

Backlog and Inventory

Our trade sales are made primarily pursuant to orders that are predominantly booked as far as 26 weeks in advance of delivery. Generally, prices and quantities are fixed at the time of booking. Backlog as of a given date consists of existing orders and forecasted demand from our Electronic Data Interface customers, in each case scheduled to be shipped over the 13-week period following such date. Backlog is influenced by several factors, including market demand, pricing and customer order patterns in reaction to product lead times. For those shipments to distributors who are allowed sales return rights and allowances, we recognize the related revenue and cost of revenue depending on if the sale originated through an ON Semiconductor or legacy Fairchild system or process. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies” for additional information. Thus, backlog comprised of orders from these distributors will not result in revenues until these distributors sell the products ordered. During 2016, our backlog at the beginning of each quarter represented between 82% and 87% of actual revenues during such quarter, which is consistent with backlog levels in recent prior periods. As manufacturing capacity utilization in the industry increases, customers tend to order products further in advance and, as a result, backlog at the beginning of a period as a percentage of revenues during such period is likely to increase.

In the semiconductor industry, backlog quantities and shipment schedules under outstanding purchase orders are frequently revised to reflect changes in customer needs. Agreements calling for the sale of specific quantities are either contractually subject to quantity revisions or, as a matter of industry practice, are often not enforced. Therefore, a significant portion of our order backlog may be cancelable. For these reasons, the amount of backlog as of any particular date may not be an accurate indicator of future results.

We sell products to key customers pursuant to contracts that allow us to schedule production capacity in advance and allow the customers to manage their inventory levels consistent with just-in-time principles while shortening the cycle times required for producing ordered products. However, these contracts are typically amended to reflect changes in customer demands and periodic price renegotiations. We routinely generate inventory based on customers’ estimates of end-user demand for their products, which is difficult to predict. See “Risk Factors - Trends, Risks and Uncertainties Related to Our Business” located elsewhere in this Form 10-K for additional information regarding the inventory practices within the semiconductor industry.

Competition

The semiconductor industry, particularly the market for general-purpose semiconductor products like ours, is highly competitive. We face significant competition within each of our product lines from major international semiconductor companies, as well as smaller companies focused on specific market niches. Because some of our components are often building block semiconductors that, in some cases, can be integrated into more complex ICs, we also face competition from manufacturers of ICs, ASICs and fully-customized ICs, as well as customers who develop their own IC products. See “Risk Factors - Trends, Risks and Uncertainties Related to Our Business” included elsewhere in this Form 10-K for additional information.

In comparison, several competitors noted below are larger in scale and size, have substantially greater financial and other resources with which to pursue development, engineering, manufacturing, marketing and distribution

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of their products and may generally be better situated to withstand adverse economic or market conditions. The semiconductor industry has experienced, and may continue to experience, significant consolidation among companies and vertical integration among customers. The following discusses the effects of competition on our three operating segments:

Power Solutions Group

The Power Solutions Group is a leading provider of power semiconductors to the automotive, industrial, wireless and mass markets. Our competitive strengths include our core competencies of leading edge fabrication technologies, micro packaging expertise, breadth of product line and IP portfolio, high quality cost effective manufacturing, and supply chain management which ensures supply to our customers. Our commitment to continual innovation allows us to provide an ever broader range of semiconductor solutions to our customers who differentiate in power density and power efficiency, the key performance characteristics driving our markets.

The principal methods of competition in our discrete, module and integrated semiconductor products are through new products and package innovations enabling enhanced performance over existing products. Of particular importance are our power MOSFETs, IGBTs, rectifiers and power module portfolio for power conversion applications and ESD portfolio for hi-speed serial interface protection products where we believe we have significant performance advantages over our competition. Select competitors include: Broadcom Limited; Diodes Incorporated; Infineon Technologies AG; KEC Corporation; NXP Semiconductors N.V.; Rohm Semiconductor; Semtech Corporation; STMicroelectronics N.V.; Texas Instruments Inc.; Toshiba Corporation; and Vishay Intertechnology, Inc.

Analog Solutions Group

The principal methods of competition in the Analog Solutions Group are based on design experience, manufacturing capability, depth and quality of IP, ability to service customer needs from the design phase to the shipping of a completed product, length of design cycle, longevity of technology support and experience of sales and technical support personnel. Our competitive position is also enhanced by long-standing relationships we have established with leading OEM customers.

Our ability to compete successfully depends on internal and external variables, both inside and outside of our control. These variables include, but are not limited to, the timeliness with which we can develop new products and technologies, product performance and quality, manufacturing yields and availability of supply, customer service, pricing, industry trends and general economic trends. Select competitors for certain of our products and solutions include: Infineon Technologies AG; Maxim Integrated Products, Inc.; NXP Semiconductors N.V.; Renesas Electronics Corporation; STMicroelectronics N.V.; and Texas Instruments Inc.

Image Sensor Group

The principal method of competition in the Image Sensor Group is based on imaging experience for end users. Our competitive strengths include differentiating ourselves from others by leveraging our deep technical knowledge and close customer relationships to drive the most compelling imaging experience for end users. The Image Sensor Group was the first to commercialize CMOS active pixel sensors and the first to introduce CMOS technology into many of our markets, leveraging four decades of CCD imaging experience into market leading positions in automotive and industrial applications, bringing a wealth of technical and end-user applications knowledge to help customers develop innovative imaging solutions across a broad range of end-user needs. Select competitors for certain of our products and solutions include: Omnivision Technologies; Samsung

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Semiconductor; Sony Semiconductor; STMicroelectronics N.V.; and Toshiba Corporation for image sensors, as well as Dongwoon Anatech Co., Ltd.; Renesas Electronics Corporation; and Rohm Semiconductor for actuator drivers.

Research and Development

Research and development costs in 2016, 2015 and 2014 were \$452.3 million, \$396.7 million and \$366.6 million, representing 12%, 11%, and 12% of revenue, respectively. We seek to maximize the investment of our people and capital in research and development by targeting innovative products and solutions for high growth applications that position the company to outperform the industry. Our design expertise in analog, digital, mixed signal and imaging ICs, combined with our extensive portfolio of standard products enable the company to offer comprehensive, value added solutions to our global customers for their electronics systems.

Government Regulation

Our manufacturing operations are subject to environmental and worker health and safety laws and regulations. These laws and regulations include those relating to emissions and discharges into the air and water, the management and disposal of hazardous substances, the release of hazardous substances into the environment at or from our facilities and at other sites, and the investigation and remediation of contamination. As with other companies engaged in like businesses, the nature of our operations exposes us to the risk of liabilities and claims, regardless of fault, with respect to such matters, including personal injury claims and civil and criminal fines.

Our headquarters 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 (“CERCLA”). Motorola and now Freescale have been 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 our separation from Motorola in 1999, Motorola retained responsibility for this contamination, and Motorola and Freescale (which became a wholly-owned subsidiary of NXP Semiconductors N.V. on December 7, 2015) have agreed to indemnify us with respect to remediation costs and other costs or liabilities related to this matter.

Our former front-end wafer manufacturing location in Aizu, Japan is located on property where soil and ground water contamination has been detected. We believe that the contamination originally occurred during a time when the facility was operated by a prior owner. We have been working with local authorities to implement remediation actions and expect all remaining remediation costs to be covered by insurance. Based on information available, any net costs to us in connection with this matter are not expected to be material.

Our manufacturing facility in the Czech Republic has ongoing remediation projects to respond to releases of hazardous substances that occurred during the years that this facility was operated by government-owned entities. The remediation projects consist primarily of monitoring groundwater wells located on-site and off-site, with additional action plans developed to respond in the event activity levels are exceeded. The government of the Czech Republic has agreed to indemnify us and the respective subsidiaries, subject to specified limitations, for remediation costs associated with this historical contamination. Based upon the information available, we do not believe that total future remediation costs to us will be material.

Our design center in East Greenwich, Rhode Island is located on property that has localized soil contamination. When we purchased the East Greenwich facility, we entered into a Settlement Agreement and Covenant Not To Sue with the State of Rhode Island. This agreement requires that remedial actions be undertaken and a quarterly

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groundwater monitoring program be initiated by the former owners of the property. Based on the information available, we do not believe that any costs to us in connection with this matter will be material.

As a result of the acquisition of AMIS in 2008, we are a “primary responsible party” to an environmental remediation and cleanup at AMIS’s former corporate headquarters in Santa Clara, California. Costs incurred by AMIS include implementation of the clean-up plan, operations and maintenance of remediation systems and other project management costs. However, AMIS’s former parent company, a subsidiary of Nippon Mining, contractually agreed to indemnify AMIS and us for any obligations relating to environmental remediation and clean-up at this location. Based on the information available, we do not believe that any future costs to us in connection with this matter will be material.

Through the acquisition of Fairchild, we acquired facilities in South Portland, Maine and West Jordan, Utah, which have ongoing environmental remediation projects to respond to certain releases of hazardous substances that occurred prior to the leveraged recapitalization of Fairchild from its former parent company, National Semiconductor Corporation, which is now owned by Texas Instruments, Inc. Although we may incur certain liabilities with respect to the above remediation projects, pursuant to the asset purchase agreement entered into in connection with the Fairchild recapitalization, National Semiconductor Corporation agreed to indemnify Fairchild, without limitation and for an indefinite period of time, for all future costs related to these projects. Additionally, under the 1999 asset purchase agreement pursuant to which Fairchild purchased the power device business of Samsung Electronics Co., Ltd. (“Samsung”), Samsung agreed to indemnify Fairchild in an amount up to \$150.0 million for remediation costs and other liabilities related to historical contamination at Samsung’s Bucheon, South Korea operations. The costs incurred to respond to the above conditions and projects have not been, and are not expected to be, material, and any future payments we make in connection with such liabilities are not expected to be material.

We were notified by the Environmental Protection Agency (“EPA”) that we have been identified as a “potentially responsible party” (“PRP”) under CERCLA in the Chemetco Superfund matter. Chemetco is a defunct reclamation services supplier who operated in Illinois at what is now a Superfund site. We used Chemetco for reclamation services. The EPA is pursuing Chemetco customers for contribution to the site cleanup activities. We have joined a PRP group which is cooperating with the EPA in the evaluation and funding of the cleanup. Based on the information available, any costs to us in connection with this matter have not been, and are not expected to be, material.

We believe that our operations are in material compliance with applicable environmental and health and safety laws and regulations. The costs we incurred in complying with applicable environmental regulations for fiscal year ended December 31, 2016 were not material, and we do not expect the cost of complying with existing environmental and health and safety laws and regulations, together with any liabilities for currently known environmental conditions, to have a material adverse effect on the capital expenditures, earnings, or competitive position of the Company or its subsidiaries. It is possible, however, that future developments, including changes in laws and regulations, government policies, customer specification, personnel and physical property conditions, including currently undiscovered contamination, could lead to material costs, and such costs may have a material adverse effect on our future business or prospects. See Note 12: “Commitments and Contingencies” in the notes to our audited consolidated financial statements included elsewhere in this Form 10-K for information on certain environmental matters.

Employees

As of December 31, 2016, we had approximately 32,000 employees worldwide, of which approximately 4,400 employees were in the United States. The primary reason for the increase in headcount from prior year was due

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to the addition of Fairchild employees. None of our employees in the United States are covered by collective bargaining agreements, except for our employees at the Mountain Top, Pennsylvania manufacturing facility. Certain of our foreign employees are covered by collective bargaining arrangements (e.g., those in China, Korea, Japan and Belgium) or similar arrangements or are represented by workers councils. For information regarding employee risk associated with our international operations, see “Risk Factors - Trends, Risks and Uncertainties Related to Our Business” included elsewhere in this Form 10-K. Of the total number of our employees as of December 31, 2016, approximately 26,500 were engaged in manufacturing, approximately 1,700 were engaged in our sales and marketing organization, which includes customer service, approximately 1,100 were engaged in administration and approximately 2,700 were engaged in research and development.

Executive Officers of the Registrant

Certain information concerning our executive officers as of February 24, 2017 is set forth below.

<u>Name</u>	<u>Age</u>	<u>Position</u>
Keith D. Jackson	61	President, Chief Executive Officer and Director*
Bernard Gutmann	57	Executive Vice President, Chief Financial Officer and Treasurer*
George H. Cave	59	Executive Vice President, General Counsel, Chief Compliance & Ethics Officer, Chief Risk Officer and Corporate Secretary*
William M. Hall	61	Executive Vice President and General Manager, Power Solutions Group*
Robert A. Klosterboer	56	Executive Vice President and General Manager, Analog Solutions Group*
Paul E. Rolls	54	Executive Vice President, Sales and Marketing*
William A. Schromm	58	Executive Vice President and Chief Operating Officer*
Taner Ozcelik	49	Senior Vice President and General Manager, Image Sensor Group*
Bernard R. Colpitts, Jr.	42	Chief Accounting Officer, Vice President of Finance and Treasury and Corporate Controller

* Executive Officers of both ON Semiconductor and SCI LLC.

The present term of office for the officers named above will generally expire on the earliest of their retirement, resignation or removal. There is no family relationship among such officers.

Keith D. Jackson. Mr. Jackson was elected as a Director of ON Semiconductor and appointed as President and Chief Executive Officer of ON Semiconductor and SCI LLC in November 2002. Mr. Jackson has more than 30 years of semiconductor industry experience. Before joining ON Semiconductor, he was with Fairchild, serving as Executive Vice President and General Manager, Analog, Mixed Signal, and Configurable Products Groups, beginning in 1998, and, more recently, was head of its Integrated Circuits Group. From 1996 to 1998, he served as President and a member of the board of directors of Tritech Microelectronics in Singapore, a manufacturer of analog and mixed signal products. From 1986 to 1996, Mr. Jackson worked for National Semiconductor Corporation, most recently as Vice President and General Manager of the Analog and Mixed Signal division. He also held various positions at Texas Instruments Incorporated, including engineering and management positions, from 1973 to 1986. Mr. Jackson joined the board of directors of Veeco Instruments, Inc. in February 2012 and has served on the board of directors of the Semiconductor Industry Association since 2008. In February of 2014, Mr. Jackson became a National Association of Corporate Directors Board Leadership Fellow, the highest level of credentialing for corporate directors and corporate governance professionals.

Bernard Gutmann. Mr. Gutmann was promoted and appointed Executive Vice President and Chief Financial Officer of ON Semiconductor and SCI LLC in September 2012, and has served as ON Semiconductor’s and SCI LLC’s Treasurer since January 2013. Before his promotion, he worked with the Company as Vice President,

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Corporate Analysis & Strategy of SCI LLC, serving in that position from April 2006 to September 2012. In these roles, his responsibilities have included finance integration, financial reporting, restructuring, tax, treasury, and financial planning and analysis. From November 2002 to April 2006, Mr. Gutmann served as Vice President, Financial Planning & Analysis and Treasury of SCI LLC. From September 1999 to November 2002, he held the position of Director, Financial Planning & Analysis of SCI LLC. Prior to joining ON Semiconductor, Mr. Gutmann served in various financial positions with Motorola from 1982 to 1999, including controller of various divisions and an off-shore wafer and backend factory, finance and accounting manager, financial planning manager and financial analyst. He holds a Bachelor of Science in Management Engineering from Worcester Polytechnic Institute in Massachusetts (U.S.). Additionally, he is fluent in English, French, and Spanish, and conversant in German.

George H. "Sonny" Cave. Mr. Cave is the founding General Counsel and Corporate Secretary at ON Semiconductor since the 1999 spin-out from Motorola Inc. He is also Executive Vice President, Chief Compliance & Ethics Officer and Chief Risk Officer. His extensive legal and business experience spans over 30 years, including seven years with Motorola. For two years prior to ON Semiconductor's spin-out, he was an ex patriate stationed in Geneva, Switzerland as Regulatory Affairs Director for Motorola's Semiconductor Components Group. Before that assignment, he spent five years with Motorola's Corporate Law Department in Phoenix, Arizona where he was Senior Counsel for global Environmental Health and Safety. Mr. Cave also practiced law for six years with two large firms in Denver and Phoenix. He has extensive experience in corporate law, governance, enterprise risk management and compliance and ethics. He holds a Juris Doctorate Degree from the University of Colorado School of Law (1985), a Master of Science Degree from Arizona State University (1982) and a Bachelor of Science Degree *cum laude* from Duke University (1979).

William M. Hall. Mr. Hall joined the Company in May 2006 and is currently the Executive Vice President and General Manager of the Power Solutions Group of ON Semiconductor and SCI LLC. During his career, Mr. Hall has held various marketing and product line management positions. Before joining the Company, he served as Vice President and General Manager of the Standard Products Group at Fairchild. Between March 1997 and May 2006, Mr. Hall served at different times as Vice President of Business Development, Analog Products Group, Standard Products Group, and Interface and Logic Group, as well as serving as Vice President of Corporate Marketing at Fairchild. He has also held management positions with National Semiconductor Corp. and was a RADAR design engineer with RCA.

Robert A. Klosterboer. Mr. Klosterboer joined the Company in March 2008 and currently serves as Executive Vice President and General Manager of the Analog Solutions Group for ON Semiconductor and SCI LLC. From March 2008 to September 2012, he was Senior Vice President and General Manager of the business unit then known as the Automotive, Industrial, Medical, & Mil/Aero Group. He has more than three decades of experience in the electronics industry. During his career, Mr. Klosterboer has held various engineering, marketing and product line management positions and responsibilities. Prior to joining ON Semiconductor in 2008, Mr. Klosterboer was Senior Vice President, Automotive & Industrial Group for AMI Semiconductor, Inc. Mr. Klosterboer joined AMIS in 1982 as a test engineer, and during his tenure there, he also was a design engineer, field applications engineer, design section manager, program development manager, and product marketing manager. Mr. Klosterboer holds a Bachelor's degree in electrical engineering technology from Montana State University.

Paul E. Rolls. Mr. Rolls was promoted and appointed Executive Vice President, Sales and Marketing of ON Semiconductor and SCI LLC in July 2013. Before his promotion, he served as Senior Vice President, Japan Sales and Marketing and Senior Vice President of Global Sales Operations, serving in that position from October 2012 to July 2013. Mr. Rolls has more than 26 years of technology sales, sales management and operations experience,

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with more than 19 years of sales and sales management experience in the semiconductor industry. Before joining the Company, Mr. Rolls was the Senior Vice President, Worldwide Sales and Marketing at Integrated Device Technology, Inc. from January 2010 to April 2012. From August 1996 to December 2009, he held multiple sales positions at International Rectifier Corp., most recently as Senior Vice President, Global Sales. During his career, he has also held management roles at Compaq Computer Corporation.

William A. Schromm. Mr. Schromm has more than 30 years of semiconductor industry experience, has been with the Company since August 1999 and has served as Executive Vice President and Chief Operating Officer of ON Semiconductor and SCI LLC since August 2014. Prior to becoming Chief Operating Officer, he was a Senior Vice President responsible for quality, external manufacturing, manufacturing under our former System Solutions Group segment, global supply chain, information technology, corporate program management. Prior to this role, Mr. Schromm served as Senior Vice President and General Manager of the Company's former Computing and Consumer Products Group from June 2006 through September 2012. During his tenure with the Company, he has held various positions. From August 2004 through May 2006, he served as the Vice President and General Manager of the Company's former High Performance Analog Division and also led the Company's former Analog Products Group. Beginning in January 2003, he served as Vice President of the Clock and Data Management business and continued in that role with additional product responsibilities when this business became the High Performance Analog Division in August 2004. Prior to that, he served as the Vice President of Tactical Marketing from July 2001 through December 2002, after leading the Company's Standard Logic Division since August 1999. Since April 2015, Mr. Schromm has served on the board of directors of II-VI, Inc. Mr. Schromm earned a BS degree from Boston College and an MBA from the University of Phoenix.

Taner Ozcelik. Mr. Ozcelik joined ON Semiconductor in August 2014 as the Senior Vice President of the Aptina Imaging Business and on February 20, 2015, he was named the Senior Vice President and General Manager of the Image Sensor Group of ON Semiconductor and SCI LLC. Mr. Ozcelik has served at the intersection of semiconductors, consumer electronics, computing and automotive industries for more than two decades. Before joining ON Semiconductor in August 2014, he served as Senior Vice President of Aptina's Automotive and Embedded business. Prior to this, Mr. Ozcelik served as Vice President and General Manager of NVIDIA's automotive business from 2012 to 2014, and as General Manager of the Avionics, Automotive and Embedded Business of NVIDIA from 2006 to 2012. While at NVIDIA, he developed several award winning firsts in automotive, which spanned a variety of applications including infotainment systems, digital instrument clusters, automotive tablets and advanced driver assistance systems, which are now featured in cars worldwide. During his career, Mr. Ozcelik has also held positions as President and CEO at MobileSmarts and as Vice President and General Manager at Sony Semiconductor for its Digital Home Platform Division. Mr. Ozcelik holds an MBA from the Wharton School of the University of Pennsylvania, a PhD in Electrical Engineering from Northwestern University, and a BS in Electrical Engineering from Bogazici University, Turkey. He is listed as an inventor on 23 U.S. patents.

Bernard R. Colpitts, Jr. Mr. Colpitts was promoted to the position of Chief Accounting Officer of SCI LLC in February 2017 and continues to serve as Vice President of Finance and Treasury and Corporate Controller of SCI LLC, positions he has held since June 2013. In connection with the promotion to Chief Accounting Officer, the Corporation designated Mr. Colpitts as its Principal Accounting Officer. From August 2011 to February 2013, Mr. Colpitts served as Senior Director, Controller of SCI LLC. He was Vice President, Controller, and Chief Accounting Officer of Harry & David Holdings, Inc., a premium food and gift producer and retailer, from January 2007 to December 2010. Mr. Colpitts held various positions with SCI LLC related to accounting, finance, and financial reporting from 2000 to 2006. Mr. Colpitts is a Certified Public Accountant.

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Geographical Information

For certain geographic operating information, see Note 15: “Income Taxes” and Note 18: “Segment Information” in the notes to our audited consolidated financial statements and “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” in each case as included elsewhere in this Form 10-K. For information regarding other risks associated with our foreign operations, see “Risk Factors - Trends, Risks and Uncertainties Related to Our Business” included elsewhere in this Form 10-K.

Available Information

We make our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports available, free of charge, in the “Investor Relations” section of our Internet website as soon as reasonably practicable after we electronically file these materials with, or furnish these materials to, the Securities and Exchange Commission (the “SEC”). Our website is www.onsemi.com. Information on or connected to our website is neither part of, nor incorporated by reference into, this Form 10-K or any other report filed with or furnished to the SEC.

You may also read or copy any materials that we file with the SEC at its Public Reference Room at 100 F. Street, N.E., Washington, DC 20549. You may obtain additional information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, you will find these materials on the SEC Internet site at <http://www.sec.gov> that contains reports, proxy statements and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

Forward-Looking Statements

This Annual Report on Form 10-K includes “forward-looking statements,” as that term is defined in Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements, other than statements of historical facts, included or incorporated in this Form 10-K could be deemed forward-looking statements, particularly statements about our plans, strategies and prospects under the headings “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business.” Forward-looking statements are often characterized by the use of words such as “believes,” “estimates,” “expects,” “projects,” “may,” “will,” “intends,” “plans,” or “anticipates,” or by discussions of strategy, plans or intentions. All forward-looking statements in this Form 10-K are made based on our current expectations, forecasts, estimates and assumptions, and involve risks, uncertainties and other factors that could cause results or events to differ materially from those expressed in the forward-looking statements. These factors included, among others, our revenues and operating performance, economic conditions and markets (including current financial conditions), risk related to our ability to meet our assumptions regarding outlook for revenues and gross margin as a percentage of revenue, effects of exchange rate fluctuations, the cyclical nature of the semiconductor industry, changes in demand for our products, changes in inventories at our customers and distributors, technological and product development risks, enforcement and protection of our IP rights and related risks, risks related to the security of our information systems and secured network, availability of raw materials, electricity, gas, water and other supply chain uncertainties, our ability to effectively shift production to other facilities when required in order to maintain supply continuity for our customers, variable demand and the aggressive pricing environment for semiconductor products, our ability to successfully manufacture in increasing volumes on a cost-effective basis and with acceptable quality for our current products, risks associated with