



OXIDE

Supplementary Explanatory Materials for the Three Months Ended May 31, 2023

July 13, 2023


TSE Growth Market: 6521

OXIDE Corporation

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I will go over the details of the supplementary explanatory materials now.

- **Operating results**
- **Details by business**
- **Progress against the plan for FY2024**
- **Topics for 1Q FY2024**
- **Explanation of consolidation**



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The information includes risks, economic trends, industry demand, and other uncertainties that may affect actual results.
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The amounts in this material are rounded down to the indicated unit, and percentages are rounded off to the indicated unit. Therefore, the total of the breakdown and the actual total may not be the same.

Let's start with the first quarter results.

1Q Results and Rate of Progress

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■ Net sales, operating profit, and ordinary profit all exceeded 1Q forecasts.

(Million yen)

	1Q FY2/24	1Q forecast	vs 1Q forecast	1Q FY2/23	YoY
Net sales	1,359	1,315	103.4%	1,419	95.7%
Gross profit	493	385	128.2%	703	70.2%
SG&A	542	576	94.2%	378	143.4%
Of which, R&D expense	193	242	80.0%	134	144.3%
Operating profit	(48)	(229)	-	324	-
Non-operating income/loss	118	68	173.8%	28	473.6%
Ordinary profit	69	(161)	-	353	24.0%

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First quarter net sales came to 1.359 billion yen.

Operating profit was minus 48 million yen.

Ordinary profit was 69 million yen.

Net sales, operating profit, and ordinary profit all exceeded first quarter forecasts.

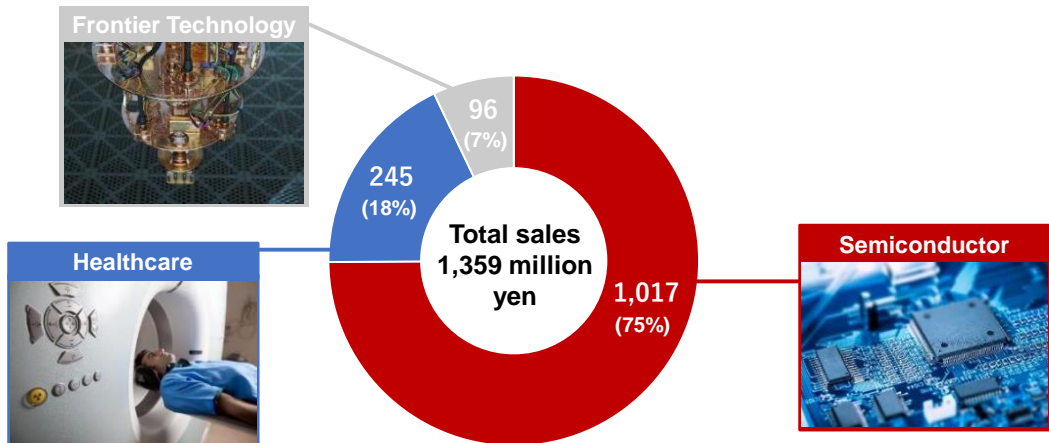
Next, I will give the breakdown of net sales by business.

Breakdown of 1Q Net Sales by Business

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■ The Semiconductor business accounted for 75% of overall net sales.

(Million yen)



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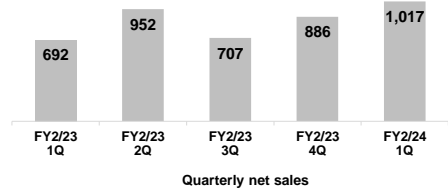
The Semiconductor business accounted for 75% of total sales, the Healthcare business 18%, and the Frontier Technology business 7%.

Details by Business [Semiconductor]

- Quarterly net sales reached a record high, but we are continuing to work on resolving the problem of defective components.

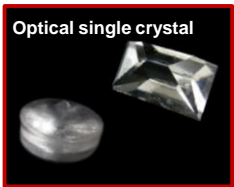
(Million yen)

	1Q FY2/23	1Q FY2/24	YoY
Net sales	692	1,017	146.9%




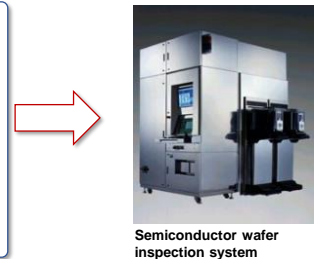
Our products for semiconductor wafer inspection systems

Optical single crystal



DUV laser products





Now, let's look at the Semiconductor business.

First quarter net sales came to 1.017 billion yen.

This represents a 46.9% year-on-year increase.

Quarterly sales reached a record high, but the problem of defective components that occurred in the third quarter of the previous fiscal year still remains. We recognize it as a risk that has materialized rather than a one-time event.

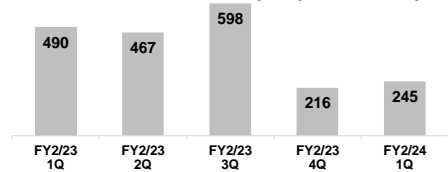
We will continue working on a fundamental solution to the problem.

Details by Business [Healthcare]

- Performance was sluggish due to deteriorating market conditions in China and inventory adjustments by customers but is now recovering.

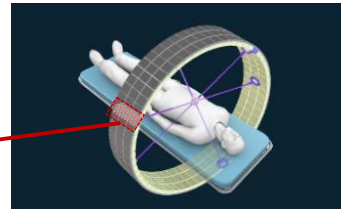
(Million yen)

	1Q FY2/23	1Q FY2/24	YoY
Net sales	490	245	50.1%



Quarterly net sales

Scintillator single crystal and sensor elements for PET



PET scanner structure

Next, let's look at the Healthcare business.

First quarter net sales came to 245 million yen.

This represents a 49.9% year-on-year decrease.

Performance was sluggish in the fourth quarter of the previous year and the first quarter of this year due to deteriorating market conditions in China and inventory adjustments by customers but is now recovering.

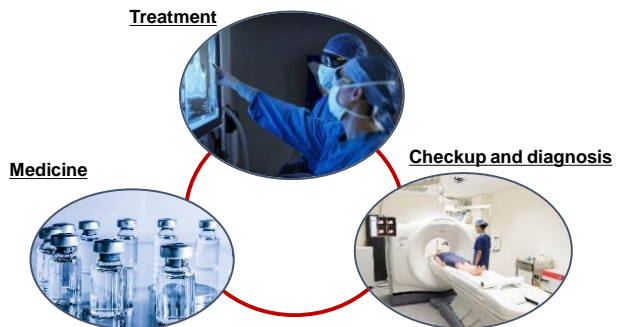
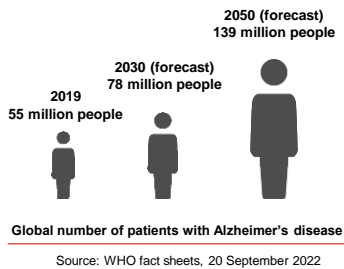
Details by Business [Healthcare]

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-Trend of Brain PET Scanners

News release by Eisai Co., Ltd. (July 6, 2023)

- Alzheimer's disease medication lecanemab was granted official approval by the FDA in the U.S. on July 6.
- In Japan, the application for approval submitted in January of this year is under priority review.
- Applications for approval are pending in the EU, UK, Canada, China, and South Korea.



Now, let's look at the trend of brain PET scanners in the Healthcare business.


Medicine for the treatment of Alzheimer's disease co-developed by Eisai and Biogen was officially approved by the U.S. FDA on July 6. An application for approval was also submitted in Japan in January of this year. Applications for approval are pending in the EU, UK, Canada, China, and South Korea.

As medicines become more widely used, the need for brain PET scanners is increasing. As such, there are growing expectations for our scintillator single crystals.


Details by Business [Frontier Technology]

	(Million yen)		
	1Q FY2/23	1Q FY2/24	YoY
Net sales	236	96	40.7%

**Areas
of focus**

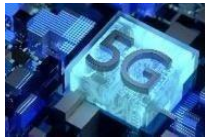


Quantum entanglement light source modules
(Quantum communication devices)



Power semiconductors
(SiC single crystals/single crystals for GaN substrates)

Global niche market

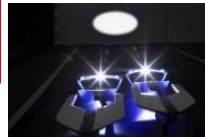


5G
(Single crystals for optical isolators)



Radioactive contamination monitors
(GPS single crystals)

Mass market where we have competitive advantages



Laser illumination
(Phosphor single crystals/devices)



MicroLED
(Femtosecond laser)



Photomasks
(Laser for laser lithography)

Now, let's look at the Frontier Technology business.

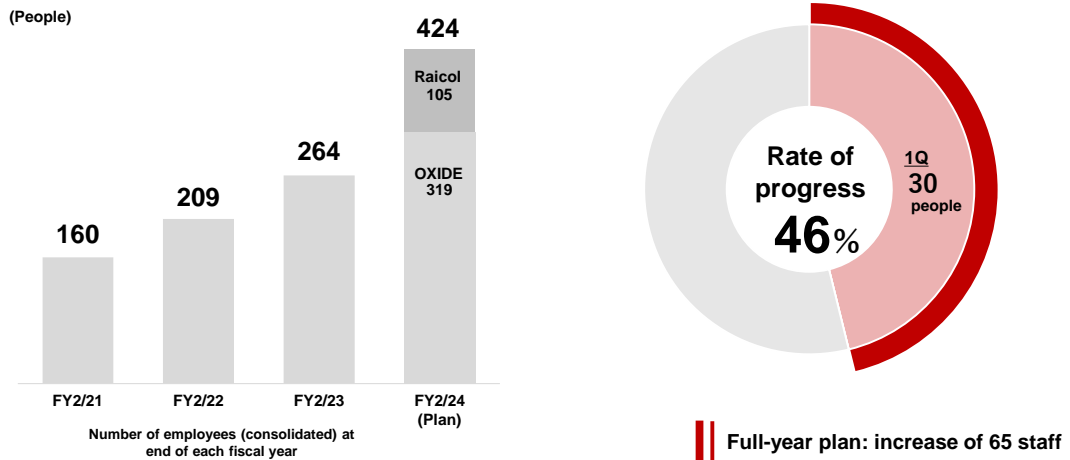
First quarter net sales came to 96 million yen.

This represents a 59.3% year-on-year decrease.

There were no spot sales for R&D as in the same period of the previous year.

Progress Against the Full-Year Plan [Personnel]

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Next, we move on to personnel, R&D, and capital investment expenses.

We increased personnel by 30 people.

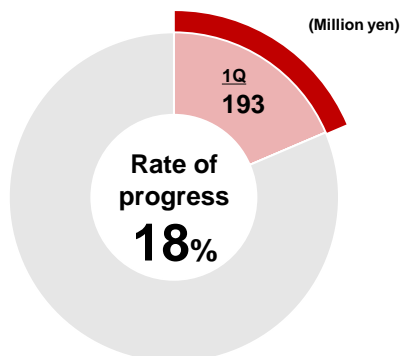
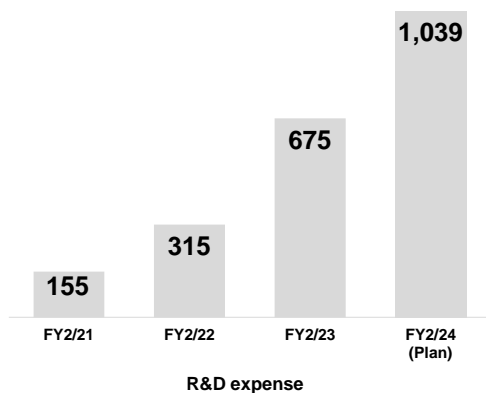
The rate of progress against the full-year plan is 46%.

This high rate of progress is due to the inclusion of the 21 new employees who joined on April 1.

Progress Against the Full-Year Plan [R&D Expense]

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(Million yen)



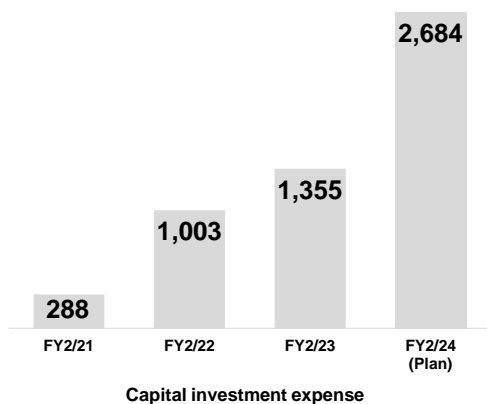
Full-year plan: 1,039

R&D expense came to 193 million yen.

The rate of progress against the full-year plan is 18%.

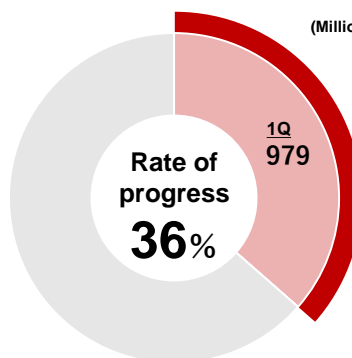
Progress Against the Full-Year Plan [Capital Investment Expense]

(Million yen)



Capital investment expense

(Million yen)



Full-year plan: 2,684

Capital investment expense came to 979 million yen.
The rate of progress against the full-year plan is 36%.

Factories No. 4 and No. 5, which were completed in March, account for the biggest part of this expense.

Topics for 1Q FY2024

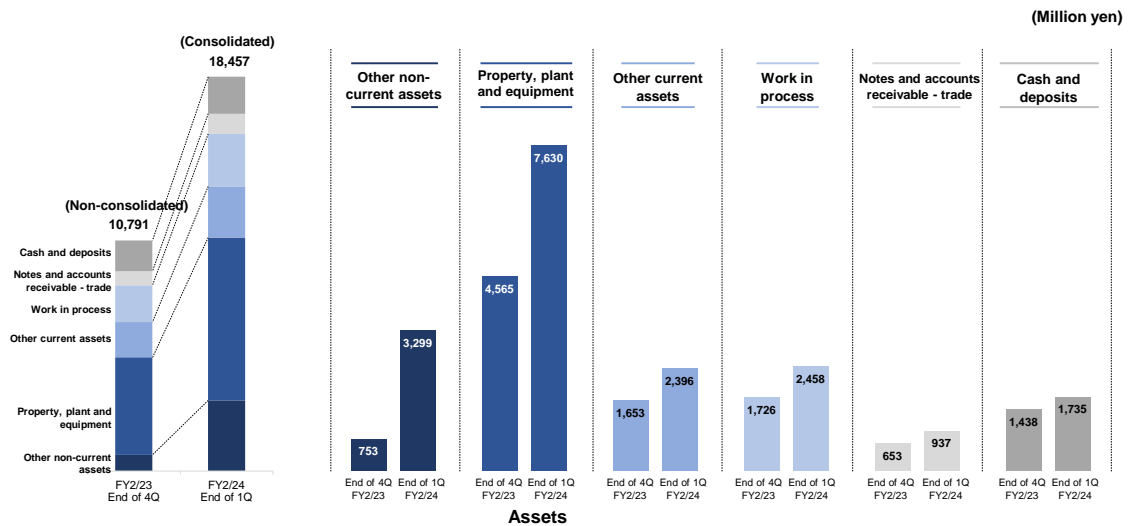
2023	March	Raicol Crystals Ltd. made a subsidiary
		Partnership with National Institute for Materials Science (NIMS) for startup support
		Completion of construction of factories No. 4 and No. 5
April	Introduction of performance-based stock compensation system (performance share unit system)	Publishing of results of research by the Institute for Solid State Physics, the University of Tokyo using our laser in British scientific journal <i>Nature</i>
May	23rd Ordinary General Meeting of Shareholders	Issuance of new shares to employees as restricted stock compensation
		Granting of units under the performance-based stock compensation system to executives and employees

Next, let's look at the topics.

We introduced a performance-based stock compensation system for directors and executives with the aim of strengthening efforts to conduct management from the same perspective as that of shareholders.

We also introduced a retirement benefit restricted stock compensation system for all employees to increase their sense of participation in management and to enhance their benefits.

[Consolidated] Main Factors Behind Increase in Assets on Balance Sheet



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This time, we published consolidated financial statements including Raicol, which we made a subsidiary in March.

Total assets increased by 7.666 billion yen from 10.791 billion yen in the non-consolidated results at the end of FY2023 to 18.457 billion yen.

The main factors behind the increase were other non-current assets and property, plant and equipment.

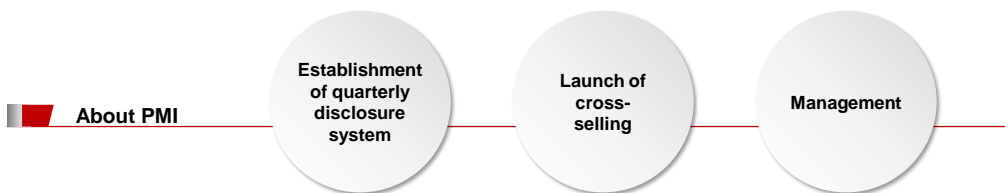
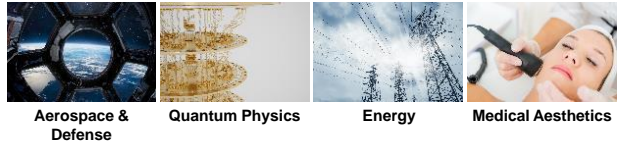
[Consolidated] Raicol FY12/2022 Net Sales and Operating Profit

(Million yen)

	FY12/22
Net sales	1,503
Operating profit	77

Note: Using exchange rate of 37.7 yen to the new shekel

Raicol's 4 businesses



Raicol's FY12/2022 net sales were 1.503 billion yen.

Operating profit was 77 million yen.

As for PMI, we are working on establishing a quarterly disclosure system and implementing initiatives for cross-selling and management.



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Crystal Miracles by OXIDE



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Automated
driving



5G