



December 15, 2023

Name of company O X I D E C o r p o r a t i o n  
Name of representative President and CEO Yasunori Furukawa  
( T S E G r o w t h C o d e : 6 5 2 1 )  
C o n t a c t Vice President and CFO Masayuki Yamamoto  
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### **Notice Concerning Issuance of New Shares through Third Party-Allotment**

YAMANASHI, Japan, December 15, 2023—OXIDE Corporation (hereinafter referred to as "Company") announces that it resolved at its Board of Directors dated on December 15, 2023 to issue new shares (hereinafter referred to as the "New Shares") through a third party-allotment (hereinafter referred to as the "Third Party-Allotment") to KLA-Tencor Japan, Ltd. (hereinafter referred to as "KLA" or "Expected Subscriber"). Details are as follows.

#### 1. Outline of Offering

(1)	Payment Date	January 5, 2024
(2)	Number of new shares issued	950,000shares
(3)	Issue price	JPY 2,959 per share of the Company's common stock
(4)	Total amount to be paid in	JPY 2,811,050,000
(5)	Amount to be raised	JPY 2,793,862,485 (Note)
(6)	Total amount of capitalization	The amount obtained by dividing the amount stated in "(4) Total amount to be paid in" above by 2 (any fraction less than JPY one shall be rounded up).
(7)	Method of offering or allotment (Expected Subscriber)	All new shares will be allocated to Expected Subscriber (KLA-Tencor Japan, Ltd.) through the third-party allotment.
(8)	Others	The above items are subject to the securities registration statement taking effect under the Financial Instruments and Exchange Act of Japan. The Company has entered into an investment and subscription agreement (hereinafter referred to as the "Investment and Subscription Agreement") with the Expected Subscriber as of today. The details of the Investment and Subscription Agreement are described in "6. Reasons of Selection of Expected Subscriber and Other Related Matters "(5) Investment and Subscription Agreement" below.

(Note) The amount of funds to be procured is the amount obtained by subtracting the estimated cost of issuance related to the New Shares from the total amount to be paid for the New Shares.

#### 2. Purpose and Reason for Offering

The Company develops, manufactures, and sells single crystals(\*1), optical components (optical devices), laser light sources, optical measurement devices, and other optical-related products mainly to equipment manufacturers and optical product manufacturers in the field of measurement using light. Since its establishment in 2000, the Company has been aiming to become a global niche top(\*2) company in the single crystals and laser fields, and has been working to become an upstream company in the optics field under the management philosophies of "giving back research results to society and disseminating key materials(\*3) to the world," "contributing to social development by providing material solutions(\*4) to customers," and "continuously creating future market opportunities by developing products with single crystals at the core. Under the above-mentioned management philosophies, the Company started its business by developing and manufacturing single crystals, which are located in the upstream of the value chain(\*5) in the optical field, and has expanded to downstream product lines (optical components, laser light sources, optical measurement devices) in the optical field while utilizing its single crystal development technology.

After listing on the Mothers Market (currently Growth Market) of the Tokyo Stock Exchange in April 2021, the Company has been actively considering investments in startups in the deep-tech (\*6) field as well as M&A in order to further accelerate its growth. As a result, in March 2023, the Company acquired Raicol Crystals Ltd. (\*7) in Israel for USD 25.3 million.

Our company has set a sales growth rate of 20% as one of its management goals, with sales of JPY 3,579 million for the fiscal year ended February 2021 (116.8% compared to the previous year) and JPY 4,756 million for the fiscal year ended February 2022 (132.9% compared to the previous fiscal year), and sales for the fiscal year ended February 2023 were JPY 5,752 million (120.9% compared to the previous fiscal year).

Even as it achieved sales growth, the Company steadily posted profits, with net income of JPY 310 million for the fiscal year ended February 2021, JPY 495 million for the fiscal year ended February 2022, and JPY 557 million for the fiscal year ended February 2023. On the investment front, the Company continues to actively invest for business growth, with research and development expenses of JPY 675 million and capital investment expenses of JPY 1,355 million for the fiscal year ended February 2023. In addition, demand for working capital is also increasing due to increased sales, mainly due to increases in accounts receivable and inventories.

With regard to the business outlook for the fiscal year ended February 2024, as disclosed on April 14, 2023, the non-consolidated sales forecast is JPY 7,294 million (126.8% compared to the previous year), and the consolidated sales forecast is JPY 8,773 million.

With regard to the progress of consolidated sales for this fiscal year, as explained in the second quarter financial results for the fiscal

year ended February 2024 dated October 13, 2023, the sales results for the first half (March to August, 2023) of the semiconductor business was JPY 1,790 million, the healthcare business was JPY 842 million, the new field business was JPY 690 million, and the company-wide total was JPY 3,323 million.

To meet the needs for these growth investments and increasing working capital, the Company has developed close relationships with financial institutions and strategically leveraged interest-bearing debts. As of the end of August 2023, interest-bearing debt was JPY 11,776 million and the equity ratio was approximately 27%. The change in cash and cash equivalents from March 1, 2023 to the end of August 2023 is JPY -145 million, and cash and deposits as of the end of August 2023 was JPY 1,292 million. Operating cash flow during the same period was JPY -1,528 million, cash flow from investing activities was JPY 5,725 million, and cash flow from financing activities was JPY 7,091 million.

As the Company manages businesses with an awareness of the cost of capital, it recognizes the need to consider optimal financing through the use of not only the shareholders' equity but also the debt financing. That said, the Company at the same time recognizes the importance of strengthening its financial position to ensure stable business operations and believes that a balance between these two is crucial. Taking into consideration the current business environment, recent investments, and the strategic value of the Expected Subscriber in this transaction, the Company decided to carry out the Third Party-Allotment to KLA as Expected Subscriber in order to strengthen its financial position and improve its foundation for further growth of the Company by reducing its interest-bearing debt this time. The Company believes that by implementing this third party-allotment, it will improve its equity ratio and expand its financing options in the future. Given the current level of the equity ratio, additional borrowings require a cautious approach. However, by improving the equity ratio through this third party-allotment, the Company will be able to flexibly raise funds through both borrowings and equity as an option. Utilizing these financing methods, the Company will strengthen the supply chain of existing businesses particularly on the semiconductor business, promote research and development in the power semiconductor business such as SiC and gallium oxide that the company are working on in new business fields, and accelerate mass production in the quantum field.

The specific use of proceeds from the issuance of the New Shares and the planned expenditure period are described in "3. Amount, Use and Scheduled Timing of Expenditure of Proceeds to be Raised (2) Use of proceeds to be raised" below.

\*Note

\*1 single crystals

- A crystal is a solid in which atoms and molecules are arranged in a regular pattern. Among crystals, a single crystal is a material in which atoms and molecules are arranged in the same direction in every part of the material.
- The characteristics of each crystal are manifested by applying electrical signals, pressure, or light to the crystal, but in the case of single crystals, the characteristics (e.g., the wavelength of light can be converted by exposing it to light, or the intensity of light can be adjusted by applying electrical signals) are strongly manifested.) are strongly manifested in the case of single crystals. By taking advantage of these characteristics, single crystal applied products are being put to practical use in industrial fields.

\*2 global niche top company

- The "Global Niche Top 100" is an ongoing project of the Ministry of Economy, Trade and Industry (METI) since fiscal 2013. The definition of a "Global Niche Top Company" is "a medium- to small-sized company that has a high global market share in a niche sector (a relatively small market or a sector with potential needs but not yet considered as a business target), as well as a large company or a major industry group, in order to respond quickly to recent changes in industrial structure and the needs required. (The Ministry of Economy, Trade and Industry (METI) has established the "Small and Medium-Sized Enterprises (SMEs) with high global market share (share) and excellent management in niche areas (relatively small markets and potential needs but not yet considered as business targets). The Ministry of Economy, Trade and Industry (METI) aims to support the companies in the program by recognizing and honoring them to help them raise their profile and expand their business overseas, as well as to provide a management compass for new companies aiming to become global niche leaders.

\*3 key materials

- Materials that are useful to the society.

\*4 material solutions

- Solving problems related to materials and light.

\*5 value chain

- The term refers to a series of product supply processes from upstream to downstream in the field of optics for single crystals, wafers, chips, optical components, laser light sources, and metrology equipment.

\*6 deep-tech

- Deep-tech refers to technology based on scientific discoveries made through research in specific natural science fields that, if commercialized and implemented in society, have the potential to have an impact on society, such as solving economic and social issues that need to be solved in the country or the world as a whole.

\*7 Raicol Crystals Ltd.

- Raicol, founded in 1995, is an Israeli crystal manufacturer that researches, develops, manufactures, and markets nonlinear optical crystals and electro-optical devices for use in a wide range of fields, including "Aerospace and Defense", "Medical Esthetics", "Energy", and "Quantum".

### 3. Amount, Use and Scheduled Timing of Expenditure of Proceeds to be Raised

#### (1) Amount of funds to be procured (estimated net proceeds)

Total amount to be paid	JPY 2,811,050,000
Estimated cost of issuance	JPY 17,187,515
Estimated net amount	JPY 2,793,862,485

(Notes) 1 Consumption and other taxes are not included in the estimated cost of issuance.

2 The estimated cost of issuance is the sum of legal fees and other administrative expenses (such as the cost of preparing the securities registration statement and the cost of corporate registration, etc.).

This document does not constitute a part of any activities to solicit investment in any securities. This document is a press release to announce to the general public concerning issuance of new shares through third party-allotment, and has not been prepared for the purposes of soliciting investment whether in Japan or abroad. This document does not constitute a part of offering for investment or solicitation for purchase for Company's common shares, stock acquisition rights or bonds with stock acquisition rights in the U.S. No securities may be offered or sold in the U.S. unless the securities are registered under or exempted from registration under the 1933 Securities Act of the U.S. If public offering for securities is to be made in the U.S., a prospectus prepared in English language pursuant to the 1933 Securities Act of the U.S. will be used. Such prospectus may be obtained from Company issuing the relevant securities or from the holder of the relevant securities, and such prospectus contains detailed information concerning the issuing company and its management, and its financial statements. With respect to the current issuance, no offering for any securities will be made in the U.S.

(2) Use of proceeds to be raised

The above estimated net proceeds of JPY 2,793 million are planned to be appropriated for use of funds as described in the table below.

Use of proceeds	Amount (JPY one million)	Scheduled timing of expenditure of proceeds to be raised
Repayment of interest-bearing debt	2,793	January, 2024
Sum	2,793	-

(Note) Until the fund is appropriated for the above use, the fund will be held in bank account.

Details of use of funds in the above table are as follows.

The Company has been borrowing from financial institutions to meet its proactive investment for growth and increasing working capital, and the Company's interest-bearing debt amounted to JPY 11,776 million (short-term loans JPY 2,400 million, long-term loans JPY 9,211 million, and corporate bonds JPY 165 million) as of August 31, 2023.

The Company plans to use the entire JPY 2,793 million procured through the issuance of the New Shares for the repayment of the interest-bearing debt by the end of January 2024. The repayment of interest-bearing debt will consist of the repayment of short-term loans in the amount of JPY 485 million and repayment of long-term loans due by the end of March 2025 in the amount of JPY 2,308 million. The following table shows the Company's debt situation as of the end of August 2023 and its debt situation when the funds procured through the Third Party-Allotment are used to repay interest-bearing debt (as of end of January 2024). The Company has decided today to repay the above interest-bearing debt, which is disclosed in a separate press release.

Borrowing status as of August 31, 2023

	Within 1 year (JPY 1,000)	Over 1 year Within 2 years (JPY 1,000)	Over 2 years Within 3 years (JPY 1,000)	Over 3 years Within 4 years (JPY 1,000)	Over 4 years Within 5 years (JPY 1,000)	Over 5 years (JPY 1,000)	Total (JPY 1,000)
Short-term loans	2,400,000	-	-	-	-	-	2,400,000
Long-term loans	894,256	3,294,610	967,085	821,065	693,834	2,540,441	9,211,291
Total	3,294,256	3,294,610	967,085	821,065	693,834	2,540,441	11,611,291

Note: This list of loan repayment schedule does not include our corporate bonds of JPY 165,000,000.

As of the end of January 2024: Status of borrowings after repayment using the amount raised through this third party-allotment.

	Within 1 year (JPY 1,000)	Over 1 year Within 2 years (JPY 1,000)	Over 2 years Within 3 years (JPY 1,000)	Over 3 years Within 4 years (JPY 1,000)	Over 4 years Within 5 years (JPY 1,000)	Over 5 years (JPY 1,000)	Total (JPY 1,000)
Short-term loans	1,914,517	-	-	-	-	-	1,914,517
Long-term loans	894,256	986,231	967,085	821,065	693,834	2,540,441	6,902,912
Total	2,808,773	986,231	967,085	821,065	693,834	2,540,441	8,817,429

Note: This list of loan repayment schedule does not include our corporate bonds of JPY 165,000,000.

	Within 1 year (JPY 1,000)	Over 1 year Within 2 years (JPY 1,000)	Over 2 years Within 3 years (JPY 1,000)	Over 3 years Within 4 years (JPY 1,000)	Over 4 years Within 5 years (JPY 1,000)	Over 5 years (JPY 1,000)	Total (JPY 1,000)
Repayment Amount	485,483	2,308,379	0	0	0	0	2,793,862

Note: This repayment amount does not include 613 million yen for the repayment of loans as described in "10. Operating results and equity finance for the past three years, (4) Equity financing in the past three years, Current status of appropriation"

4. Rationale for the Use of Proceeds to be Raised

The Company will use the proceeds from the Third Party-Allotment for the purpose of use as described in "3. Amount, Use and Scheduled Timing of Expenditure of Proceeds to be Raised (2) Use of proceeds to be raised" above, and reduce the interest-bearing debt, and thereby striving to develop the basis for strengthening its financial position and for its further growth in the future.

The Company believes that, going forward, the implementation of measures leading to the business expansion of the Company would achieve the realization of its growth strategy, the enhancement of its corporate value and shareholders value over the medium to long term through the improvement of its financial position, and the expansion of return of its existing shareholders, and that the use of proceeds the Third Party-Allotment is reasonable.

5. Rationale of Issue Terms and Conditions, etc.

(1) Calculation base for the amount to be paid and the specific details

The amount to be paid in for the New Shares in JPY2,959 (Rounding Down Decimals), which is equivalent to 95% of JPY 3,115 (rounding decimals to the nearest whole number, calculating in the same method hereinafter), the average of closing price of the Company's common stock in regular trading on the Tokyo Stock Exchange during the one-month period as of the business day immediately preceding the date of the resolution of the Board of Directors concerning issuance of the New Shares (December 14, 2023). Such paid-in amount was determined in consideration of the "Guidelines Concerning Handling of Allocation of New Shares to

a Third Party" of the Japan Securities Dealers Association (the "JSDA"), and is determined not to be a particularly favorable paid-in amount.

The amount to be paid in JPY 2,959 is premium 0.71% against the closing price of JPY 2,938 in regular trading on the trading day immediately before the date of the resolution of the Board of Directors concerning the issuance of the New Shares (December 14, 2023), with being rounded to the second decimal place (which rounding is made for the calculation of premium and discount against the share price throughout in the same manner), discount 5.01% against the average closing price of the common stock of the Company for the immediately preceding one month period of JPY 3,115 (Rounded to the nearest decimal point. The calculation of the average stock price is made in the same manner.), premium 2.18% against the average closing price of the common stock of the Company for the immediately preceding three months period of JPY 2,896, and discount 7.88% against the average closing price of the common stock of the Company for the immediately preceding six months period of JPY 3.212.

In calculating the amount to be paid in, the Company recognizes the importance of basing the amount to be paid in on an objective stock price that eliminates arbitrariness to the greatest extent possible. The company also recognize that when the stock market as a whole is unstable or the Company's stock price is unstable, it is necessary to evaluate whether or not some special factor is affecting the formation of the stock price.

The Company believes that, among the share price on the trading day immediately preceding the resolution of the Board of Directors, the average share price for the most recent one month, the average share price for the most recent three months, and the average share price for the most recent six months, the most recent one month average share price would eliminate short-term fluctuations due to arbitrariness or special factors on the assumption that there would be little deviation from the share price on the trading day immediately preceding the resolution of the Board of Directors. The amount to be paid in, which is equivalent to 95% of the above, which is premium 0.71% (rounded down to the nearest JPY) from the share price on the trading day immediately preceding the date of the resolution of the Board of Director. The Company believes that the amount to be paid in is within the range of the value stipulated in the "Guidelines Concerning Handling of Allocation of New Shares to a Third Party" established by the Japan Securities Dealers Association (JSDA).

As stated above, the amount to be paid in is at a 5.01% discount to the average of the closing price of the Company's common stock in regular trading during the one-month period immediately preceding the date of resolution by the Board of Directors on the issuance of the new shares, which was determined upon consultation with the allottee in consideration of the business environment and performance trends in which the Company is placed and the share price trends, and is within the range of the price stipulated in the "Guidelines for Handling Capital Increase by Allotment to a Third Party" established by the JSDA. However, the Company have determined that this is not particularly advantageous to the allottee, as it was determined upon consultation with the allottee, taking into consideration our business environment, performance trends and stock price movements, and is in compliance with the "Guidelines for Handling Private Placements" (dated April 1, 2010) of the Japan Securities Dealers Association (JSDA).

All three corporate auditors of the Company (including two outside corporate auditors) have expressed their opinions to the effect that no material fact in violation of laws and regulations was found with regard to the decision by the directors that the amount to be paid for the New Shares does not constitute "an amount particularly favorable to the Expected Subscriber," given that the amount is based on the market price, which is an objective index that indicates the value of the shares of the Company, and negotiations were made with the Expected Subscriber based on the closing price in regular trading and the average price of the Company's common stock during the one-month period on the business day immediately preceding the date of the resolution of the Board of Directors of the Company, having determined that the latest share price appropriately reflects the current objective corporate value of the Company, and also having regarded to the guidelines of the Japan Securities Dealers Association.

## (2) Reasons of rationality of number of shares to be issued and extent of share dilution

The number of shares to be issued upon issuance of the New Shares will be 950,000 shares, resulting in dilution of the amount of 9.45% on the total number of the Company's issued shares of 10,055,525 as of November 30 2023 (9.47% on the number of the Company's voting rights of 100,355as of November 30, 2023).

However, as described in "2. Purpose and Reason for Offering" and "6.Reasons of Selection of Expected Subscriber and Other Related Matters (2) Reasons for selecting Expected Subscriber", the enhancement of the business value of the Company can be expected through the Third Party-Allotment, and the Company plans to use the funds raised by the Third Party-Allotment for the use of funds as described above and implement measures leading to the expansion of the Company's business in the future in order to promote the development of the Company's business in the medium to long - term. Accordingly, the Company has determined that the scope of dilution is reasonable in comparison to the profitability that is expected to increase in the future.

For these reasons, the Company believes that the issuance of the New Shares is expected to contribute to an increase in corporate value and shareholder value and also to benefit its existing shareholders. Therefore, the Company believes that the issuance volume and the dilution size of the shares are reasonable.

## 6. Reasons of Selection of Expected Subscriber and Other Related Matters

### (1) Outline of Expected Subscriber

(1)	Name	KLA-Tencor Japan, Ltd.
(2)	Address	OCEAN GATE MINATOMIRAI 3-7-1, Minatomirai, Nishi-ku, Yokohama, Kanagawa
(3)	Title and name of representative	CEO, Takeshi Fukami
(4)	Business	Import and sales of precision equipment for semiconductor manufacturing processes, and related technical services
(5)	Stated capital	JPY 480 million
(6)	Date of Establishment	December 21, 1984
(7)	Number of issued and outstanding shares	11,805
(8)	Accounting reference period	June
(9)	Number of Employees	530 (as of June 30, 2023)

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(10)	Major business partners	Semiconductor manufacturers		
(11)	Major bank	Citibank N.A.		
(12)	Major shareholders and shareholding ratio	KLA Corporation (an American company listed on the NASDAQ market in the United States, hereinafter referred to as "KLA") (Note 1) (89.8%) and KLA-Tencor Corporation (Cayman) Limited, III (10.2%)		
(13)	Relationship between the companies concerned			
	Capital relationship	KLA-Tencor (Singapore) Pte. Ltd. and KT Venture Group II, LLC, which are affiliates of KLA-Tencor Japan, Ltd., hold 4.10% and 2.51% of shares of the Company, respectively.		
	Personnel relationship	Not applicable		
	Business relationship	The Company is engaged in transactions with KLA Group (Note 2) concerning non-linear optical single crystals for Deep ultraviolet and Deep ultraviolet (Note 3)		
	To the Related Parties Applicable Status	Expected Subscriber is not a related party of the Company. In addition, neither Expected Subscriber nor any of its affiliates is a related party of the Company.		
(14)	Operating results and financial position for the past three years			
	Accounting reference period	FY June 2021	FY June 2022	FY June 2023
	Net assets	5,342	8,044	9,214
	Total assets	31,075	51,897	51,344
	Net assets per Share (JPY)	452,520	681,406	780,516
	Net sales	29,021	36,886	46,013
	Operating profit	3,160	4,016	3,553
	Ordinary profit	3,048	3,912	3,601
	Net income	2,271	2,701	1,170
	Net income per Share (JPY)	192,376	228,801	99,110
	Dividends per Share (JPY)	-	-	-

(As of December 15, 2023, except as otherwise specified) (Units: JPY one million, except as otherwise specified)

(Note1) KLA Corporation (hereinafter referred to as "KLA"), the parent company of the Expected Subscriber is listed on the NASDAQ market in the United States. The Company conducted article searches using Nikkei Risk & Compliance and searched on the internet for information and keywords associated with Expected Subscriber (KLA-Tencor Japan, Ltd.), its officers, or major shareholders that would suggest relationships between KLA and antisocial forces, etc., regarding whether they are an antisocial force and whether they have any relations with an antisocial force. Nothing was detected that suggests relationships between the Expected Subscriber (KLA-Tencor Japan, Ltd.), its officers, or major shareholders. Therefore, the Company has concluded that Expected Subscriber (KLA-Tencor Japan, Ltd.), its officers, or major shareholders are not related to any anti-social forces and has submitted a written confirmation to the Tokyo Stock Exchange.

(Note2) The corporate group centered on KLA, the parent company of KLA, which is the planned allottee, is referred to as the "KLA Group." The same applies below.

(Note3) Deep ultraviolet refers to the short wavelength region of ultraviolet light, around 200 to 280 nm. Deep ultraviolet lasers that emit this wavelength are used to inspect wafers for defects in the semiconductor manufacturing process. With the progress of semiconductor miniaturization, there is a need for shorter wavelengths and higher output for deep ultraviolet lasers. Our deep ultraviolet laser uses a high-quality optical single crystal manufactured in-house and is characterized by the ability to generate 266nm deep ultraviolet light with a high output of over 2W.

## (2) Reasons for selecting Expected Subscriber

KLA, the parent company of KLA-Tencor Japan, Ltd., Expected Subscriber, is headquartered in California, USA and is the world's leading supplier of semiconductor process control equipment, which is regarded as critical in the growing semiconductor market, and whose equipment is used by major semiconductor manufacturers globally.

As the global semiconductor market continues to expand, semiconductors are getting more miniature as a major technological innovation. In recent years, high power and short wavelength deep ultraviolet lasers and high quality optical single crystals have been adopted in inspection equipment for microfabricated wafers, and the demand for such lasers is increasing year by year. High quality optical single crystals made by the Company are installed in the semiconductor wafer inspection equipment (which detects foreign objects and pattern defects on semiconductor wafers during the semiconductor manufacturing process) developed and manufactured by KLA. This is a key component, and KLA has recognized the Company's unique capability in the development, manufacture, and supply of optical single crystals, specifically the Company's strength in making very high quality crystals that are resistant to degradation even when generating deep UV light. Since KLA's capital participation in the Company in 2006, the Company and KLA have deepened the relationship as strategic partners in terms of both capital and business for a long time until today. Given that KLA serves all of the major semiconductor manufacturers globally, KLA is in the unique position to help guide the Company to develop the products the semiconductor industry needs for the future. The Company believes this unique insight from KLA will greatly contribute to the growth of the Company through the creation of business expansion opportunities in the Company's semiconductor business and the development of cutting-edge technologies for all of the Companies customers, not only for KLA.

The Company has a constant business relationship with KLA, and meetings between executives are held on a regular basis. In the course of these meetings, the Company and KLA began discussing the possibility of this third party-allotment and continued our discussion until today. KLA would prefer the Company to continue to operate independently with a strong balance sheet to provide an uninterrupted supply unique and differentiated products that are critical to the semiconductor ecosystem.

KLA Group currently holds the Company's shares through KLA-Tencor (Singapore) Pte. Ltd. and KT Venture Group II, LLC, both of which are within the KLA Group, but in this third-party allotment, the KLA Group has selected KLA –Tencor Japan, the only Japanese company within the Group, as the appropriate Expected Subscriber.

The Company has confirmed with KLA that the corporate group led by KLA has no intention to acquire the Company, although the Company has agreed to KLA Group's commitment to continue to hold the Company's shares and to grant rights to KLA Group to maintain the ratio.

The Company has determined to adopt third party-allotment as the most appropriate choice at the present time after comprehensive consideration of the points described in “(Comparison with Other Funding Methods)” below for this occasion of fund raising.

(Comparison with Other Funding Methods)

- (i) With regard to the issuance of shares through a public offering or a rights issue, it is uncertain whether the Company will be able to procure a sufficient amount of funds because the participation rate of general investors and existing shareholders who are allottees is uncertain.
- (ii) With regard to the issuance of stock acquisition rights, the total amount and timing of fund procurement would fluctuate depending on the status of exercise of stock acquisition rights, and there is less certainty of fund procurement than third party-allotment of new shares, the Company has determined that it is not appropriate to use this method of fund procurement.
- (iii) With regard to debt financing through borrowing or corporate bonds, the Company has determined that it is not appropriate to use this method of fund procurement because the amount raised will be fully indebtedness, which may decrease the financial soundness and reduce the scope of future borrowing.

As a result of these discussions, the Company has determined that the method of financing by issuing the New Shares through a third party-allotment is the most appropriate method at present in terms of strengthening the Company's financial position, contributing to the improvement of profitability and corporate value, and enhancing shareholders value, despite the presence of a certain degree of dilution on the shares of the Company.

The Company expects that by allocating the procured funds to the uses described in “3. Amount, Use and Scheduled Timing of Expenditure of Proceeds to be Raised (2) Use of proceeds to be raised” above, it will achieve sustainable growth and increase the corporate value of the Company, which will ultimately lead to an increase in shareholder returns.

(3) Shareholding policy of the Expected Subscriber

In view of the purpose of the Third Party-Allotment, it is confirmed that the investment in the Company by the Expected Subscriber is made for the purpose of contributing to the enhancement of the corporate value of the Company while building mutual cooperation.

The Company expects to obtain a written pledge from the Expected Subscriber agreeing that: if the Expected Subscriber transfers all or any part of New Shares issued as a result of the Third Party-Allotment within two years from the date of payment, it will notify the details thereof to the Company in writing; The Company will report details of such notification to the TSE; and the details of such notification will be made available for public inspection.

(4) Confirmation of existence of financial assets for payment by Expected Subscriber

The Company has confirmed a copy of the certificate of balance of the bank account of the Scheduled Subscriber as of December 8, 2023, and has confirmed that the Scheduled Subscriber holds a sufficient balance of deposits to exceed the total amount to be paid in for the New Shares. Therefore, The Company has confirmed that the Expected Subscriber has sufficient cash and deposits to make payment for the Third Party-Allotment. In addition, Expected Subscriber and the Company have verbally confirmed by December 8, 2023 that there will be no problem with the payment in case that additional funds as well as funds relating to Third Party-Allotment are to be contributed in the future. For this reason, the Company believes that Expected Subscriber has no trouble for paying.

(5) Investment and Subscription Agreement

The Company hereby executes the Investment and Subscription Agreement with the Expected Subscriber as of today. The Investment and Subscription Agreement provides as follows.

- (i) The Company shall issue 950,000 shares of the Company common stock to the Expected Subscriber, and the Expected Subscriber shall subscribe to all of them, through the Third Party-Allotment.
- (ii) If the Company issues new shares or disposes of its treasury stock (hereinafter referred to as the "Issuance of New Shares, etc.") (except the issuance of new shares, etc. as stock compensation to officers and employees of the Group) within three years from the payment date, the Expected Subscriber may request the Company to allot common stocks to the Expected Subscriber so as to maintain or increase its voting rights ratio to the extent that its voting rights ratio after the implementation of the Issuance of New Shares, etc. and after adjustment of potential shares does not exceed 15%.
- (iii) The Company shall give notice to the Expected Subscriber and conduct negotiations with the Expected Subscriber prior to the commencement of negotiations regarding certain transactions such as corporate restructuring, third party-allotment, capital tie-up involving a change of control of the Company or negotiations or the commencement of negotiations or the like relating to an asset transfer involving the transfer of all or a substantial part of the Company's semiconductor business. If the Company and the Expected Subscriber do not enter into a transaction for such negotiations, etc., and the third party and the Company enter into an

- agreement of a transaction, the Expected Subscriber may request the Company to enter into such transaction on the same terms and conditions as or at least not disadvantageous to the Company, and the Company shall support such request.
- (iv) The Company shall provide certain support in relation to the sale of a part of the shares held by Expected Subscriber when conducting an offering or secondary distribution of shares of the Company. However, this excludes the issuance or disposition of common stock in connection with equity compensation to officers and employees of the Group.
- (v) The Company undertakes to the Expected Subscriber that, as long as the KLA Group holds 10% or more of the total number of issued shares of common stock of the Company (excluding treasury shares):
- (A) The Company shall use its reasonable best efforts to keep its net debt to EBITDA ratio at a certain level.
- (B) The Company will provide the materials of financial statements, and board of director's meeting, etc. to KLA on an ex post basis. Provided, however, that this shall not apply to cases where such provision of information would result in the disclosure of a trade secret, or a conflict of interest or violation of laws and regulations, etc.
- (C) When the Company shall not sell or grant a license to any third party any of its core intellectual property rights, without consent by a majority of the shareholders of Company or the prior written consent of the Expected Subscriber.

#### 7. Major shareholders and shareholding ratio after the offering

Before the offering (as of August 31, 2023) (Note)		After the offering	
Yasunori Furukawa	7.69%	KLA-Tencor Japan, Ltd	8.68%
NTT Advanced Technology Corporation	6.70%	Yasunori Furukawa	7.02%
NTT FINANCE CORPORATION	5.00%	NTT Advanced Technology Corporation	6.12%
KLA-Tencor (Singapore)Pte.Ltd.	4.10%	NTT FINANCE CORPORATION	4.57%
Custody Bank of Japan, Ltd. (account in trust)	3.84%	KLA-Tencor (Singapore) Pte.Ltd.	3.75%
The Master Trust Bank of Japan, Ltd. (account in trust)	3.65%	Custody Bank of Japan, Ltd. (account in trust)	3.51%
KT Venture Group II, L.L.C.	2.51%	The Master Trust Bank of Japan, Ltd. (account in trust)	3.33%
Nikon Corporation	2.50%	KT Venture Group II, L.L.C.	2.29%
Lasertec Corporation	2.50%	Nikon Corporation	2.28%
The Yamanashi Chuo Bank, Ltd.	2.00%	Lasertec Corporation	1.83%
Naito House Corporation.	2.00%	The Yamanashi Chuo Bank, Ltd.	1.83%
SHIMADZU CORPORATION	2.00%	Naito House Corporation.	1.83%
YAMANASHI CHUGIN MANAGEMENT CONSULTING	2.00%	SHIMADZU CORPORATION	1.83%
-	-	YAMANASHI CHUGIN MANAGEMENT CONSULTING	1.83%

- (Notes) 1 Major shareholders and shareholding ratios are based on the number of shares appearing in the shareholder register as of August 31, 2023 (which excludes 393 treasury shares).
- 2 The percentages above are rounded to the second decimal place.

#### 8. Forecasts

The Company believes that the Third Party-Allotment will contribute to the enhancement of the corporate value and shareholders value of the Company.

The impact of Third Party-Allotment on the Company's financial results for the fiscal year ended February 29, 2024 is mainly the impact on the balance sheet due to the repayment of loans, and the impact on the income statement is a decrease in interest paid due to the repayment of loans, but we believe that the impact on this fiscal year's operating performance will be minimal considering that the repayment is scheduled in January 2024. The Company will announce as soon as the operating forecast changes.

#### 9. Matters Concerning Procedures under the Code of Corporate Conduct

Since (1) the dilution ratio is less than 25% and (2) the Third Party-Allotment does not involve any change in controlling shareholders, the Company is not required to obtain an opinion from an independent third party or to conduct procedures to confirm the intention of shareholders as set forth in Article 432 of the Securities Listing Regulations established by the Tokyo Stock Exchange.

#### 10. Operating results and equity finance for the past three years

##### (1) Results for the past three years

	FY February 2021	FY February 2022	FY February 2023
Net sales	3,579,619	4,756,708	5,752,663
Operating profit	365,755	596,784	537,058
Ordinary profit	322,887	598,991	687,871
Net income (JPY)	310,458	495,740	557,395
Net income per Share (JPY)	41.13	52.53	56.50
Dividends per Share (JPY)	-	-	-
Net assets per Share (JPY)	199.87	467.83	525.00

(Units: JPY 1,000, except as otherwise specified)

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(Note) The Company conducted a stock split in a ratio of 1-for-500 shares of common stock on November 27, 2020 pursuant to the resolution of the Board of Directors held on November 9, 2020 and another stock split in a ratio of 1-for-2 shares of common stocks on March 1, 2023 pursuant to the resolution of the Board of Directors held on December 14, 2022. Net assets per share and net income per share are calculated on the assumption that these stock splits were conducted at the beginning of the fiscal year ended February 28, 2021.

(2) Number of issued and outstanding shares, and potential shares as of August 31, 2023

	Number of Shares	Ratio to the number of issued and outstanding shares
Number of issued and outstanding shares	10,055,525	100%
Number of potential shares at current exercise prices	10,65,000	10.6%

The above number of potential shares is due to stock options.

(3) Recent stock price trends

(i) Past three years

	FY February 2021	FY February 2022	FY February 2023
Beginning Value	-	JPY 6,540	JPY 2,337.5
High Value	-	JPY 10,300	JPY 5,000
Low Value	-	JPY 3,990	JPY 2,082.5
End Value	-	JPY 4,600	JPY 4,260

(Notes) 1 Listing of the shares of the Company took place on Mothers Market (currently Growth Market) of the Tokyo Stock Exchange on April 5, 2021, and the share price for the fiscal year ended February 28, 2022 indicates the share price after the date of the listing.

2 The Company conducted a stock split in a ratio of 1-for-2 shares of common stocks on March 1, 2023 pursuant to the resolution of the Board of Directors held on December 14, 2022. Stock price for the fiscal year ended February 28, 2023 is calculated on the assumption that the stock splits were conducted at the beginning of the fiscal year ended February 28, 2023.

(ii) Past six months

	July 2023	August 2023	September 2023	October 2023	November 2023	December 2023
Beginning Value	JPY 3,980	JPY 3,555	JPY 3,405	JPY 3,150	JPY 2,376	JPY 3,435
High Value	JPY 3,990	JPY 3,585	JPY 3,465	JPY 3,250	JPY 3,800	JPY 3,525
Ahn Value	JPY 3,315	JPY 3,080	JPY 2,995	JPY 2,255	JPY 2,227	JPY 2,930
End Value	JPY 3,510	JPY 3,450	JPY 3,125	JPY 2,326	JPY 3,380	JPY 2,938

(Note) Stock prices for December 2023 are shown as of December 14, 2023.

(iii) Stock price on the business day prior to the date of resolution of the issuance

	December 14, 2023
Beginning Value	JPY 3,055
High Value	JPY 3,085
Ahn Value	JPY 2,930
End Value	JPY 2,938

(4) Equity financing in the past three years

(i) Public offering (at initial public offering)

Payment Date	April 4, 2021
Amount of funds to be procured	JPY 1,918 million (estimated net proceeds)
Issue price	JPY 2,576
Number of issued and outstanding shares at the time of offering	3,781,500 shares
The number of shares issued through the offering	750,000 shares
Total number of issued shares after the offering	4,531,500 shares
Initial Use of Funds at the time of issue	(A) Capital investment funds for Plant 4 to meet the regular maintenance demand for lasers to be mounted on inspection equipment for semiconductor wafers manufactured and sold by customers in the semiconductor business <sup>11</sup> (JPY 882 million for building construction, JPY 333 million for purchase of laser manufacturing equipment, JPY 8 million for system investment, subtotal JPY 1,223 million) (B) Additional funding for the single crystals production equipment at Plant No. 3 to accommodate the increase in production in the healthcare business (JPY 100 million for purchasing single crystals production equipment (equivalent to 5 production equipment), JPY 400 million for purchasing iridium crucibles (Since one iridium crucible is required

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	<p>per manufacturing equipment, it is equivalent to five iridium crucibles.), subtotal JPY500 million)</p> <p>(C) Funds for repayment of borrowings (remaining amount after the appropriation of (A) and (B) above)</p> <p>(The purpose of use of funds is to include the fund procurement through third party-allotment related to the secondary offering through over-allotment described in (ii) below.)</p>
Expected Date of Expenditure at the time of issue	<p>(A) Capital investment funds for Plant 4 to meet regular maintenance demand for lasers to be mounted on inspection equipment for semiconductor wafers manufactured and sold by customers in the semiconductor business (JPY 1,223 million in the fiscal year ended February 2022)</p> <p>(B) Fund for the expansion of single crystals manufacturing equipment for Plant No. 3 to accommodate the increase in production in the healthcare business (JPY 500 million in the fiscal year ended February 2023)</p> <p>(C) Funds for repayment of borrowings (JPY 613 million after the appropriation of (A) and (B) above)</p> <p>(The scheduled disbursement period includes the fund procurement through third party-allotment related to the secondary offering through over-allotment described in (ii) below. The Company also plan to invest in highly secure financial instruments until specific appropriation dates.)</p>
Current status of appropriation	<p>(A) Although JPY 1,223 million was originally planned to be appropriated in the fiscal year ended February 2022, the Company has partially delayed the appropriation due to the extended delivery of materials for plant construction, and as of the end of October 2023, JPY 1,181 million had been appropriated for this purpose. The remaining JPY 42 million is scheduled to be used for capital investment in Plant No.4 during the fiscal year ended February 2024.</p> <p>(B) JPY 500 million has been appropriated in the fiscal year ended February 2022 for the expansion of single crystals production equipment related to the third plant to accommodate increased production in the healthcare business.</p> <p>(C) The remaining JPY 613 million from the total amount of funds to be procured, excluding (A) and (B) above, will be used to repay borrowings after appropriation of (A) and (B) above.</p> <p>The appropriation status includes the fund procurement through third party-allotment related to the secondary offering through over-allotment described in (ii) below.)</p>

(ii) Capital increase through third party-allotment (capital increase through third party-allotment in connection with the secondary offering through over-allotment)

Payment Date	May 7, 2021
Amount of funds to be procured	JPY 418,342,000
Issue price	JPY 2,576
Number of issued and outstanding shares at the time of offering	4,531,500 shares
The number of shares issued through the offering	162,400 shares
Total number of issued shares after the offering	4,693,900 shares
Assignee	Nomura Securities Co., Ltd.
Initial Use of Funds at the time of issue	<p>(A) Capital investment funds for Plant 4 to meet the regular maintenance demand for lasers to be mounted on inspection equipment for semiconductor wafers manufactured and sold by customers in the semiconductor business (JPY 882 million for building construction, JPY 333 million for purchase of laser manufacturing equipment, JPY 8 million for system investment, subtotal JPY 1,223 million)</p> <p>(B) Additional funding for the single crystals production equipment at Plant No. 3 to accommodate the increase in production in the healthcare business (JPY 100 million for purchasing single crystals production equipment (equivalent to 5 production equipment), JPY 400 million for purchasing iridium crucibles (Since one iridium crucible is required per manufacturing equipment, it is equivalent to five iridium crucibles.), subtotal JPY 500 million)</p> <p>(C) Funds for repayment of borrowings (remaining amount after the appropriation of (A) and (B) above)</p> <p>(The purpose of use of the funds is to raise funds through the public offering (at the time of initial public offering) described in (i) above.)</p>

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<p>Expected Date of Expenditure at the time of issue</p>	<p>(A) Capital investment funds for Plant 4 to meet regular maintenance demand for lasers to be mounted on inspection equipment for semiconductor wafers manufactured and sold by customers in the semiconductor business (JPY 1,223 million in the fiscal year ended February 2022)</p> <p>(B) Fund for the expansion of single crystals manufacturing equipment for Plant No. 3 to accommodate the increase in production in the healthcare business (JPY 500 million in the fiscal year ended February 2023)</p> <p>(C) Funds for repayment of borrowings (JPY 613 million after the appropriation of (A) and (B) above)</p> <p>(The scheduled disbursement period includes the fund procurement through the public offering (at the time of initial public offering) described in (i) above. The Company also plans to invest in highly secure financial instruments until specific appropriation dates.)</p>
<p>Current status of appropriation</p>	<p>(A) Although JPY 1,223 million was originally planned to be appropriated in the fiscal year ended February 2022, the Company has partially delayed the appropriation due to the extended delivery of materials for plant construction, and as of the end of October 2023, JPY 1,181 million had been appropriated for this purpose. The remaining JPY 42 million is scheduled to be used for capital investment in Plant No.4 during the fiscal year ended February, 2024.</p> <p>(B) JPY 500 million has been appropriated in the fiscal year ended February 2022 for the expansion of single crystals production equipment related to the third plant to accommodate increased production in the healthcare business.</p> <p>(C) The remaining JPY 613 million from the total amount of funds to be procured, excluding (A) and (B) above, will be used to repay borrowings after appropriation of (A) and (B) above.</p> <p>(The purpose of use of the funds is to raise funds through the public offering (at the time of initial public offering) described in (i) above.)</p>

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