



# **OXIDE**

## **Supplementary Explanatory Materials for the Six Months Ended August 31, 2023**

**October 13, 2023  
TSE Growth Market: 6521  
OXIDE Corporation**

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

## Results from the First Half of FY2/24

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- Net sales fell short of the initial budget, but operating profit exceeded it.

(Million yen)

	FY2/24 1Q (March - May)		FY2/24 2Q (June - August)		FY2/24 1H (March - August)		Difference
	Budget	Result	Budget	Result	Budget	Result	
Net sales	1,315	1,359	2,183	1,964	3,499	3,323	(176)
Operating profit	(229)	(48)	90	(40)	(139)	(89)	50
(Operating margin)	(17.4)%	(3.6)%	4.1%	(2.1)%	(4.0)%	(2.7)%	+1.3%
R&D expense	242	193	256	239	498	433	(65)
Capital investment	—	979	—	278	—	1,257	—
EBITDA*	(122)	46	345	211	222	256	34

\*EBITDA: Earnings Before Interest, Taxes, Depreciation, and Amortization

First, I will give an overview of the financial results.

Israel-based Raicol's statement of income is included in the consolidated results starting as of the second quarter.

In the second quarter, both net sales and operating profit fell short of the budget.

Looking at the first half, net sales were 176 million yen below and operating profit was about 50 million yen above the budget.

Depreciation and amortization of goodwill amount to more than 10% of net sales due to aggressive capital investment and M&A, so we have included EBITDA as useful information for investment decisions.

In the first half, EBITDA was 256 million yen, exceeding the budget of 222 million yen.

# [Semiconductor] First Half Results

■ The residual impact of defects in some components resulted in weak performance in 2Q.

(Million yen)

	FY2/24 1Q (March - May)	FY2/24 2Q (June - August)	FY2/24 1H (March - August)
Budget	919	1,273	2,192
Result	1,017	773	1,790
(Achievement)	111%	61%	82%

**Our products for semiconductor wafer inspection systems**

**Optical single crystals**



**DUV laser products**



➔

**Semiconductor wafer inspection system (image picture)**

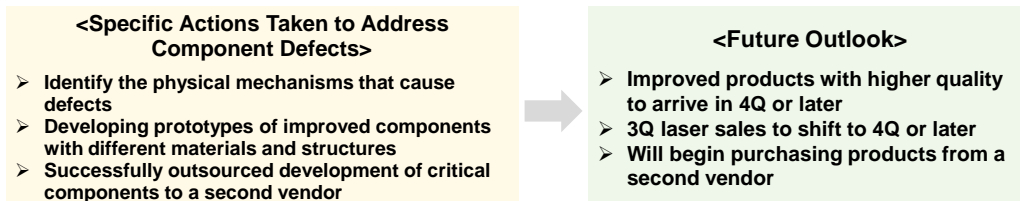


Next, let's look at the current situation in each business.

In the Semiconductor business, second quarter net sales were sluggish due to the lingering effects of defects in some components since the third quarter of the previous year.

The rate of achievement in the first half was 82%.

# [Semiconductor] Full-Year Forecast



(Million yen)

	FY2/24 1Q (March - May)	FY2/24 2Q (June - August)	FY2/24 1H (March - August)	FY2/24 3Q (September - November)	FY2/24 4Q (December - February)	FY2/24 Full-year (March - February)
<b>Budget</b>	919	1,273	2,192	1,342	1,443	4,978
<b>Result / Forecast</b>	1,017	773	1,790	650	2,050	4,490
<b>(Achievement)</b>	111%	61%	82%	48%	141%	90%

I would like to explain the status of our specific response to the component defects that have been a cause of concern for all of you.

We have taken the initiative to investigate the cause of the defects, and in the second quarter, we identified the physical mechanisms causing the defects.

The vendor is currently developing a prototype of an improved version with a higher pass rate by making significant changes to the materials and structure based on that knowledge. For our part, we are evaluating the long-term reliability of this prototype.

We have also been concurrently promoting multi-vendor development of critical components and have been successful in outsourcing development to a second vendor.

As for the future outlook, the improved product with a higher pass rate will arrive in the fourth quarter or later.

For that reason, we expect the impact of defective components to continue from the second quarter into the third quarter and for laser sales planned for the third quarter to shift into the fourth quarter or later.

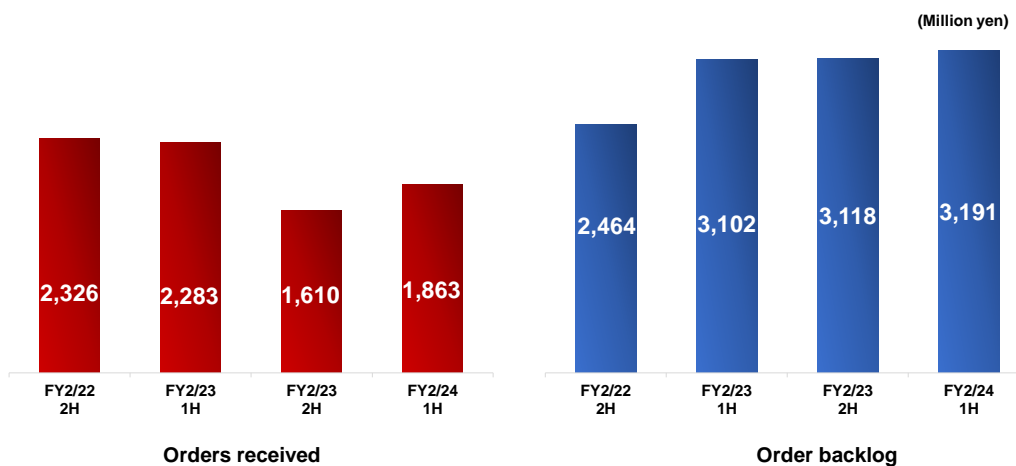
If the improved products are delivered starting in the fourth quarter as planned, we expect net sales to increase significantly with full-year sales approaching the budget.

Purchasing of products with a higher pass rate from the second vendor will begin in the fourth quarter or later.

## [Semiconductor] Orders Received and Order Backlog

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■ There are some component defects, but orders received and the order backlog remained strong.



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This is orders received and the order backlog in the Semiconductor business.

There are some component defects, but inquiries from users remained firm, and orders received and the order backlog remained strong.

The order backlog at the end of the first half was around 3,200 million yen.

## [Healthcare] First Half Results

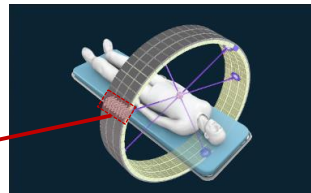
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■ Sales recovered in 2Q, and 1H results exceeded the budget.

(Million yen)

	FY2/24 1Q (March - May)	FY2/24 2Q (June - August)	FY2/24 1H (March - August)	FY2/24 3Q (September - November)	FY2/24 4Q (December - February)	FY2/24 Full-year (March - February)
<b>Budget</b>	296	368	664	528	527	1,721
<b>Result / Forecast</b>	245	597	842	440	440	1,722
<b>(Achievement)</b>	83%	162%	127%	83%	83%	100%

Scintillator single crystals  
for PET scanner



PET scanner structure

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Next, let's look at the Healthcare business.

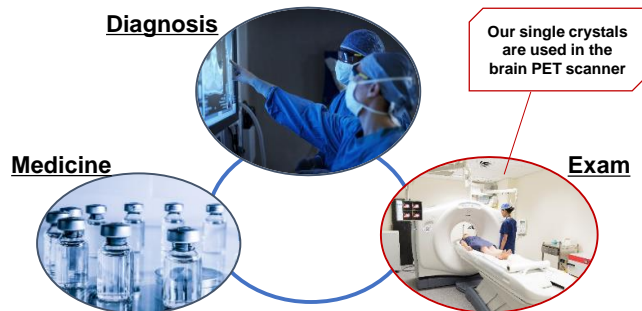
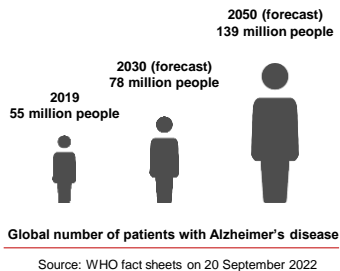
Net sales were weak in the first quarter but picked up in the second quarter, ultimately exceeding the budget by 27% in the first half.

We expect full-year net sales to come in according to the initial budget.

## [Healthcare] - Trend of Brain PET Scanner

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- Eisai's lecanemab drug for Alzheimer's disease officially approved in the U.S. on July 6
- Approved by Japan's Ministry of Health, Labour and Welfare on September 25
- Price to be determined around the end of December
- Government expert panel also noted the importance of a brain PET scanner
- Inquiries on the rise for our scintillator single crystals



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This is the trend of PET scanner for the brain.

Eisai's lecanemab drug for Alzheimer's disease was officially approved in the U.S. in July and in Japan in September.

The price is to be determined around the end of December.

At the government expert panel, the comment was made that "Before administering the drug, it is necessary to examine the accumulation of amyloid beta, which is considered one of the causative substances of Alzheimer's disease, either by PET or cerebrospinal fluid examination. There are only about 60 facilities in Japan that can test for amyloid beta, and there is a regional bias."

For that reason, we expect the spread of brain PET examination to accelerate.

In fact, inquiries for our scintillator single crystals for brain PET scanners have been on the rise since the beginning of this fiscal year.

# [Frontier Technology] First Half Results

■ Raicol sales were added to the frontier technology business in 2Q, and 1H sales exceeded the budget by 5%.

(Million yen)

	FY2/24 1Q (March - May)	FY2/24 2Q (June - August)	FY2/24 1H (March - August)	FY2/24 3Q (September - November)	FY2/24 4Q (December - February)	FY2/24 Full-year (March - February)
<b>Budget</b>	100	541	641	657	775	2,073
<b>Result / Forecast</b>	96	594	690	675	738	2,103
<b>(Achievement)</b>	96%	110%	108%	103%	95%	101%

**Our Areas of Activity**


**Global niche market**

- Beyond 5G [Single crystals for optical isolators]
- Semiconductor inspection system [213 nm lasers]
- Radiation monitors [GPS single crystals]

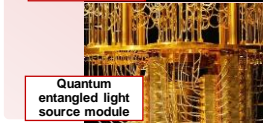
**Mass market**

- Laser illumination [Phosphor single crystals]
- MicroLED [FS lasers]

**Focus areas**




Power semiconductors SiC single crystals




Quantum entangled light source module


**Raicol's 4 Business Fields**




Aerospace & Defense



Medical Aesthetics



Quantum Physics



Energy

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

We acquired Raicol as a subsidiary in March, adding Aerospace & Defense, Medical Aesthetics, and Energy to our Frontier Technology business. Raicol sales are included in the Frontier Technology business.

First half net sales in the Frontier Technology business exceeded the budget by 8%.

Now, I will explain the two focus areas in the Frontier Technology business.

First are the power semiconductor SiC single crystals we are working on under the NEDO Green Innovation Fund Program.

Until now, we have been using Nagoya University's equipment for development, but we have also installed our own equipment and now have a system of 10 units. We will accelerate our research and development.

Next is Quantum Physics.

Combining Raicol's device technology with our module implementation technology, we will develop quantum entangled light source modules expected to be put to use in quantum cryptographic communications.

We plan to exhibit these modules at the Quantum Computing Expo to be held at Makuhari Messe on October 25.

We have received inquiries from you about the situation at Raicol. I will cover that now.

The armed conflict sparked by the Hamas attack on Israel on October 7 continues.

At this point in time, there has been no loss of life or property at Raicol, and business continues.

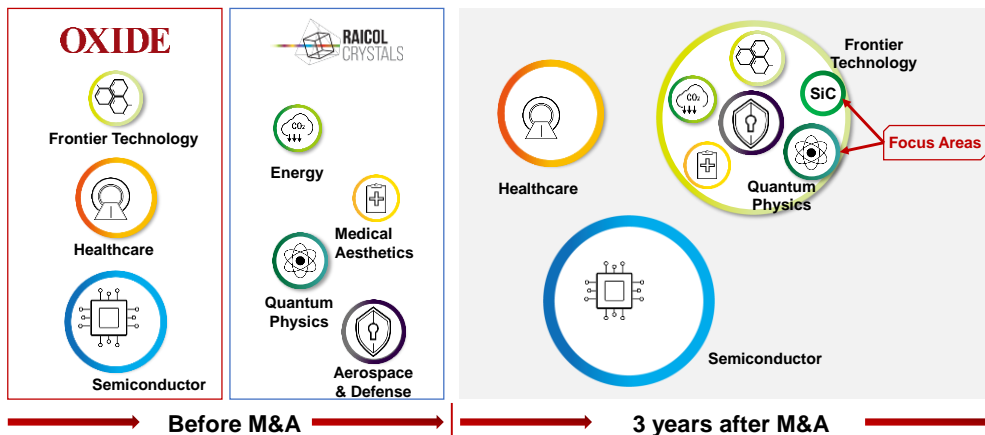
If we determine that the conflict has had an impact on the company's business, we will disclose it as necessary in a timely manner.



## [Medium- to Long-term Business Portfolio]

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- We will expand and grow our existing semiconductor and healthcare businesses, while focusing our efforts on SiC and the quantum physics field.



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This is the medium- to long-term business portfolio.

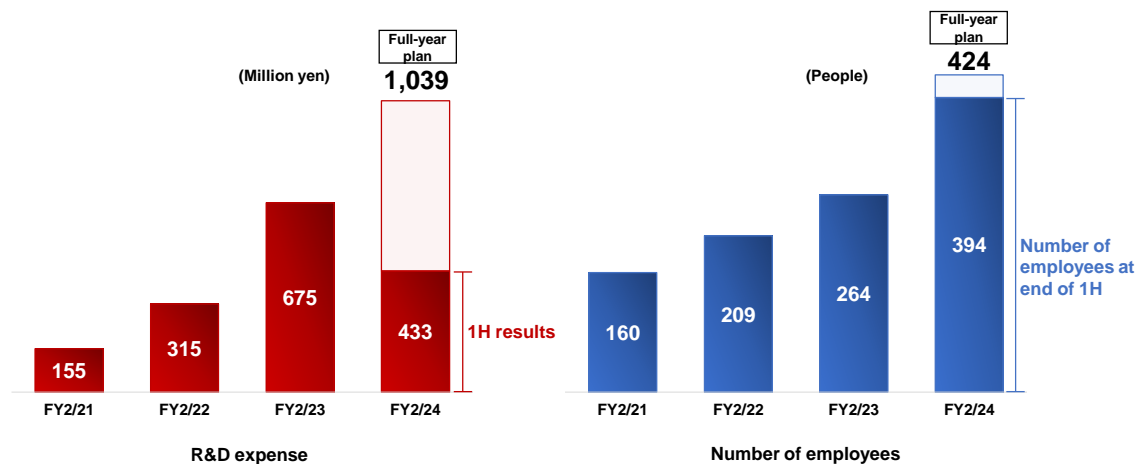
As we disclosed in “Business Plan and Matters Related to Sustainability of Growth” in April, we will be expanding our existing Semiconductor and Healthcare businesses.

We will also be focusing on SiC and Quantum Physics in the Frontier Technology business.

## [R&D Expense and Personnel Plan]

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■ We are focusing on R&D on next-generation lasers, SiC single crystals, and quantum light source modules.



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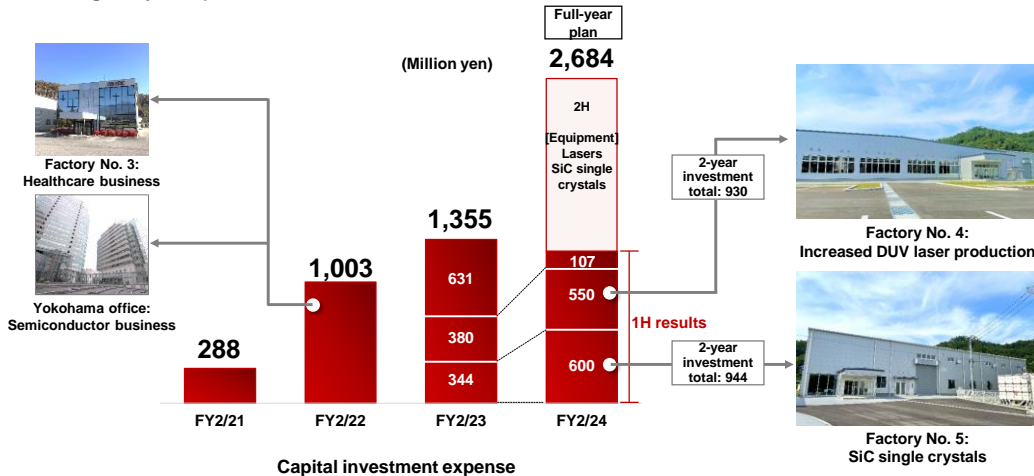
Next is R&D expense and the personnel plan.

We will focus our R&D expenditures and personnel on the next-generation lasers, SiC single crystals, and quantum light source modules in our Semiconductor business.

We have roughly tripled our R&D expense since being listed in the fiscal year ended February 28, 2022. We have also just about doubled our employees.

## [Capital Investment]

- We are focusing on our investment in fields where significant future growth is expected (DUV lasers and SiC single crystals).



Lastly, I will explain our capital investment.

We are focusing on our investment in DUV lasers and SiC single crystals as we expect significant future growth.

Last year, we invested 380 million yen in Factory No. 4 to address increased laser production in the Semiconductor business, and in the first half of this year, we invested another 550 million yen. The first phase of construction was completed in March.

In September, we began maintenance on our DUV laser products.

In addition, in regard to SiC single crystals, which we are working on under the NEDO Green Innovation Fund Program, we invested 344 million yen last year and 600 million yen in the first half of this year to construct Factory No. 5.

We hope to tie this year's capital investment into steady results just as the investments made in the Semiconductor and Healthcare businesses through the fiscal year ended February 28, 2022 contributed so significantly to our growth.

Thank you for your continued support.



Semiconductors

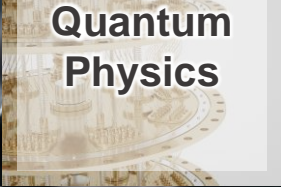


Medical



Power  
Semiconductors


**Contributing to society through crystal and  
optical technologies**  
**Crystal Miracles by OXIDE**



Quantum  
Physics



Aerospace  
& Defense



Energy

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