



OXIDE

Supplementary Explanation Material for the Fiscal Year Ended February 29, 2024

**(6521, TSE Growth)
April 15, 2024**

Fiscal year ended February 29, 2024 : Full-Year Results (Consolidated)

OXIDE

- Revenue and profit have been on a recovery trend since the 4Q, after bottoming out in the 3Q.
- Although we recorded an operating loss for the first time since our listing, we continued to invest in future growth, with R&D expenses of 1,049 million yen and CAPEX of 2,035 million yen.

(Unit: millions of yen)

	Reference: Fiscal year ended February 28, 2023	Fiscal year ended February 29, 2024					full year	Gap against Fiscal year ended February 28, 2023
		1Q	2Q	3Q	4Q			
Revenue	5,752	1,359	1,964	1,370	1,913	6,606	854	
Operating profit	537	- 48	- 40	- 541	- 351	- 983	- 1,520	
(Operating margin)	9.3%	- 3.6%	- 2.1%	- 39.5%	- 18.4%	- 14.9%	-	
R&D expenses	675	193	239	281	335	1,049	374	
CAPEX	1,355	979	278	452	325	2,035	679	
EBITDA *	893	46	211	- 315	- 19	- 77	- 971	
(EBITDA margin *)	15.5%	3.3%	10.8%	- 23.0%	- 1.0%	- 1.2%	-	

* EBITDA: Operating profit plus depreciation and amortization * EBITDA margin ratio: EBITDA / revenue

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First of all, we would like to explain the financial results for the fiscal year ended February, 2024.

Revenue increased by 854 million yen year on year to 6,606 million yen.

Operating profit was negative 983 million yen, the first operating loss since our listing.

The main reasons for this were the failure to secure the expected revenue in the Semiconductor business due to the impact of component failure and the decline in the profit due to increased expenses.

The Company's performance bottomed out in the third quarter and has been on a recovery trend since the fourth quarter as the resolution of component failure is expected to be completed.

In addition, we continued to invest in future growth, with R&D expenses of 1,049 million yen and CAPEX of 2,035 million yen.

Variance analysis between forecasts and actual results

- Revenue was 6,606 million yen, a decrease of 2,166 million yen from the initial forecast of 8,773 million yen.
- Gross profit decreased by 1,669 million yen from the initial forecast of 3,554 million yen to 1,884 million yen. Approximately 1,500 million yen of this difference was attributable to one-off factors, such as the loss of profits and repair costs for parts due to a failure of a certain component in the Semiconductor business.

(Unit: millions of yen)

	Original forecast April 2023 Disclosure	full year	Variance	Analysis of Differences
Revenue	8,773	6,606	- 2,166	
Semiconductor	4,978	3,140	- 1,837	Revenue decreased due to component failure
Health care	1,721	1,592	- 128	Shipments to major customers remained sluggish due to the impact of the economic slowdown in China and other factors.
Frontier Technology	2,073	1,874	- 198	Some large-scale projects for physical sciences and other applications postponed
Gross profit	3,554	1,884	- 1,669	Approx. -1,500: Loss of profits due to failure of some components and repair costs of parts (including allowance for doubtful accounts)
R&D expenses	1,039	1,049	10	
SG&A	2,039	1,817	- 221	Lower stock compensation expense for Raicol, lower goodwill amortization, etc.
Operating profit	471	- 983	- 1,454	

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The following is an explanation of the difference between the initial forecast and the actual results for the fiscal year ended February 29, 2024.

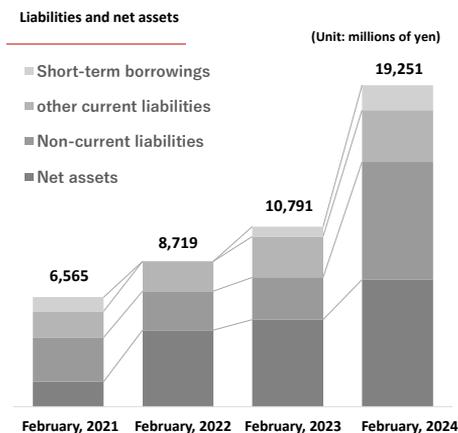
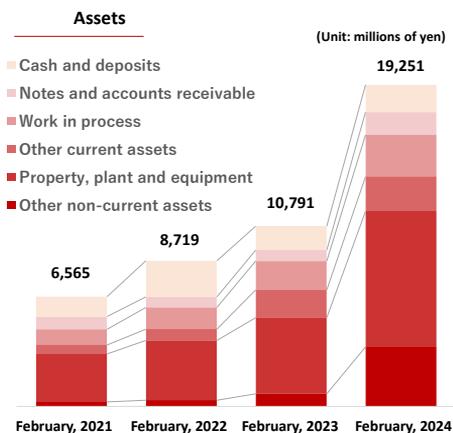
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Gross profit decreased by 1,669 million yen from the initial forecast of 3,554 million yen to 1,884 million yen.

Approximately 1,500 million yen of this difference was attributable to one-off factors, such as the loss of profits and repair costs for parts due to a failure of a certain component in the Semiconductor business.

Balance sheet

■ Total assets increased by 8,460 million yen due to the acquisition of Raicol and CAPEX. We conducted the third party allotment to KLA Corporation in January 2024, and the equity ratio increased to approximately 40%.



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Next, we will explain the balance sheet.

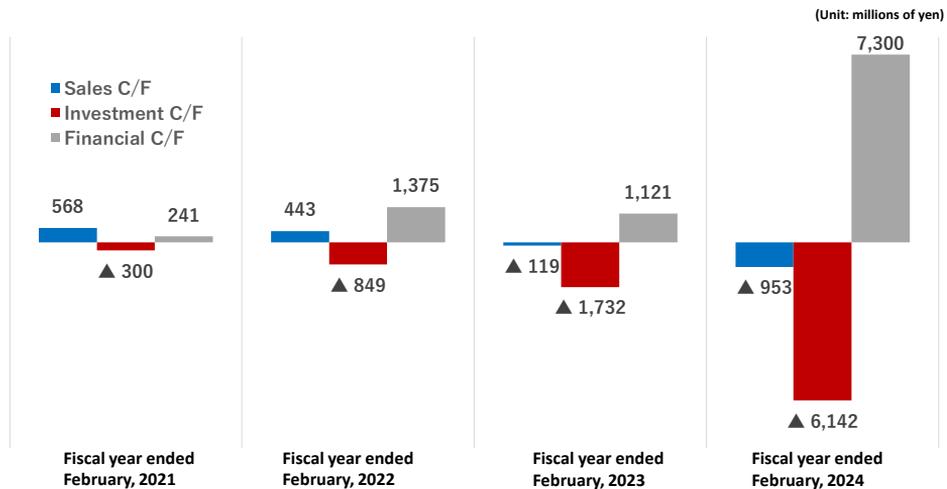
Total assets increased by 8,460 million yen due to the acquisition of Raicol in March 2023 and aggressive CAPEX.

In January 2024, we conducted the third party allotment to KLA Corporation.

The equity ratio is approximately 40%.

Cashflow

■ ■ To cover the losses in the operating C/F and investment C/F, the Company borrowed from financial institutions and conducted the third party allotment as a financing cashflow.



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Next, we will explain about cashflow.

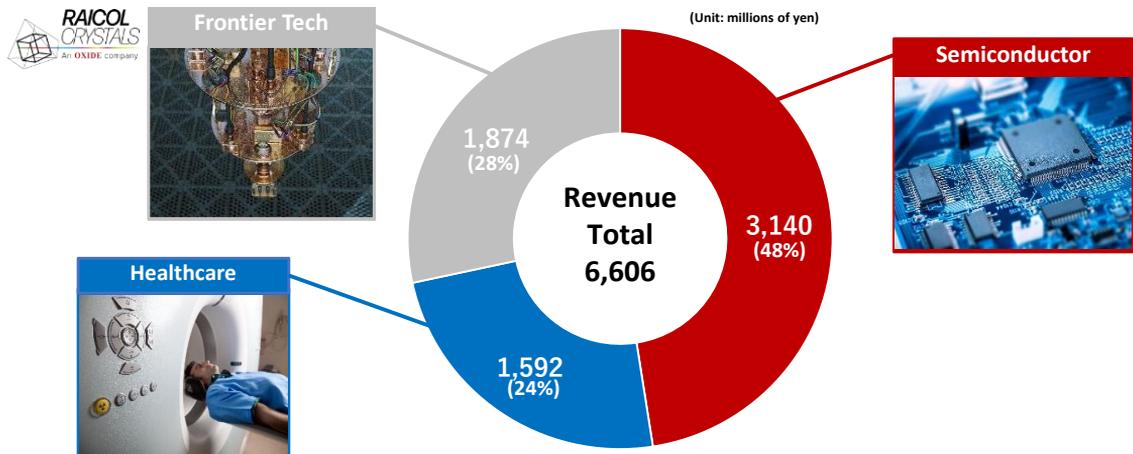
Cashflow from operating activities was a negative 953 million yen, reflecting an operating loss.

Cashflow from investing activities was also negative, at negative 6,142 million yen, reflecting the acquisition of Raicol and CAPEX.

To cover the negative figures for operating cashflow and investment cashflow, the Company borrowed from financial institutions and conducted the third party allotment as a financing cashflow.

Breakdown of revenue by Business Division

■ The acquisition of Raicol increased the proportion of the Frontier Technology business.



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We will explain the composition of revenue by division.

The acquisition of Raicol increased the proportion of the Frontier Technology division.

Going forward, we will aim to grow our the Semiconductor and the Healthcare while creating new business pillars from the Frontier Technology.

Semiconductor

■ Revenue was 96.9% year on year to 3,140 million yen.

(Unit: millions of yen)

Semiconductor	Fiscal year ended February, 2023	Fiscal year ended February, 2024					VS Fiscal year ended February, 2023	Previous Forecast	Previous Forecast Achievement rate
		1Q	2Q	3Q	4Q	full year			
Revenue	3,239	1,017	773	491	858	3,140	96.9%	3,050	103.0%

OXIDE product line for Semiconductor wafer defect inspection systems

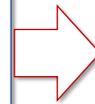
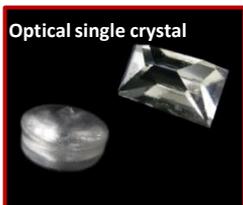


Image: Semiconductor wafer defect inspection system

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Next, we will explain the status of each business.

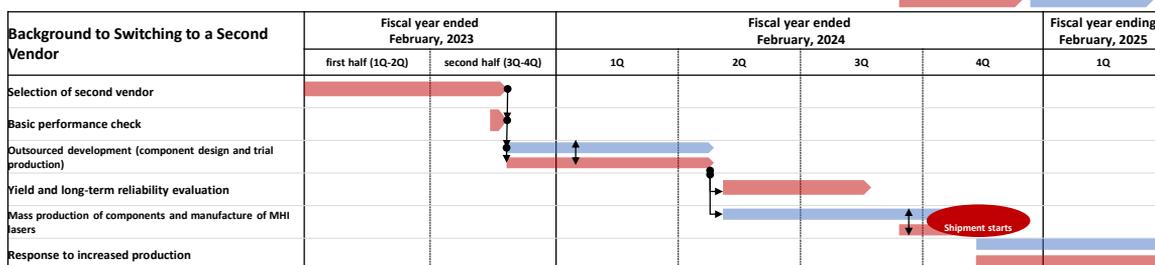
First, in the Semiconductor business, revenue was 96.9% year on year to 3,140 million yen.

This was slightly above the previous forecast

The progress of the partial component failure issue is explained on the next page.

Semiconductor : update of component failure issue

- Discussions with customers on switching to second-vendor materials progressed, and shipments commenced in January 2024.
- The second vendor component yield to date is 100%.
- On the other hand, the first-vendor * could not resolve the engineering issue.
As a result, repair expenses and provision for product warranties were additionally recorded at the end of the fourth quarter, amounting to 107 million yen. This was the main reason for the increase in operating losses.
- We are currently in contact with several potential third-vendors to verify the performance.
We are also in the process of selecting materials for in-house production.



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We will explain the progress of the issue of component failure.

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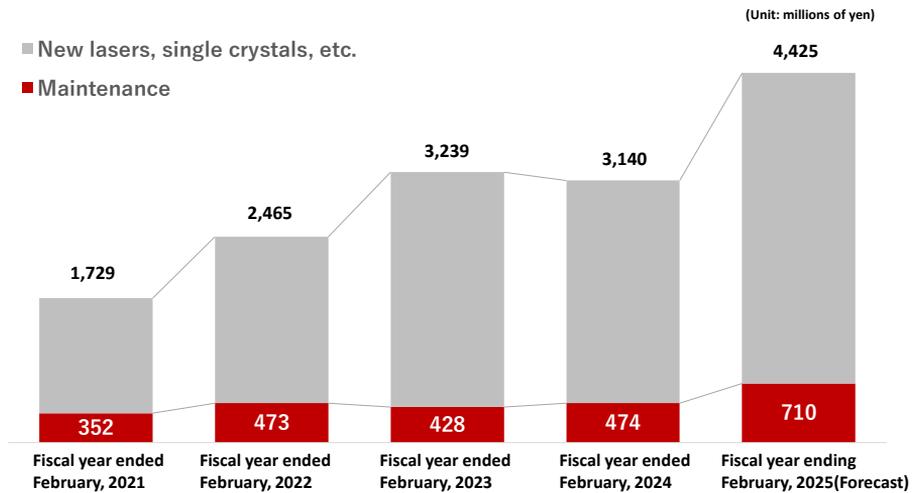
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We are currently in contact with several potential third vendors to verify the performance.

We are also in the process of selecting materials for in-house production.

Semiconductor : revenue trend

■ For the fiscal year ending February 28, 2025, we expect revenue to recover and grow 40.9% to 4,425 million yen.



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We will explain the trend of revenue in the Semiconductor business.

In the fiscal year ended February 2024, revenue decreased slightly due to the impact of problems with component.

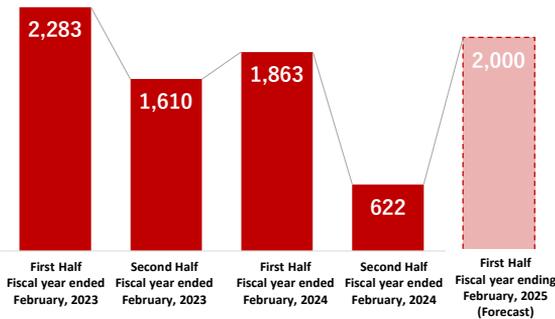
For the fiscal year ending February 28, 2025, we expect revenue to recover and grow 40.9% to 4,425 million yen.

Semiconductor: new order received and order backlog

■ In the second half of the fiscal year ended February, 2024, we prioritized the response to manufacturing of projects that had already been ordered and restricted new orders. New order received are expected to recover from the first half of the fiscal year ending February 2025.

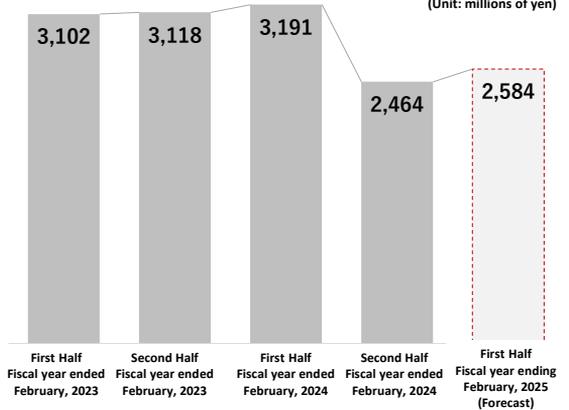
New order received

(Unit: millions of yen)



Order backlog

(Unit: millions of yen)



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Next, we will explain the new order received and the order backlog in the Semiconductor business.

In the second half of the fiscal year ended February 2024, we prioritized the response to manufacturing of projects that had already been ordered and restricted new orders. As a result, new order received were 622 million yen.

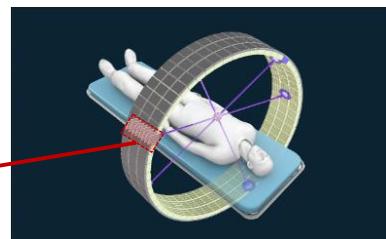
As we lifted the restrictions on new orders following the start of shipments of laser products with second vendor components, new order received are expected to recover to the about 2,000 million yen in the first half of 2025.

- Shipment volume to major customer was sluggish due to the impact of the economic slowdown in China and other factors. As a result, revenue were 1,592 million yen, an 89.9% achievement year on year.

(Unit: millions of yen)

Healthcare	Fiscal year ended February, 2023	Fiscal year ended February, 2024					VS Fiscal year ended February, 2023	Previous Forecast	Previous Forecast Achievement rate
		1Q	2Q	3Q	4Q	full year			
Revenue	1,772	245	597	371	378	1,592	89.9%	1,614	98.7%

Our products used in PET scanners



Structure of PET scanners Equipment

Next, we will explain about the Healthcare business.

Shipment volume to major customer was sluggish due to the impact of the economic slowdown in China and other factors. As a result, revenue were 1,592 million yen, an 89.9% achievement year on year.

Frontier Technology

- Consolidated revenues was 252.9% year on year to 1,874 million yen as the Company started consolidating Raicol in the second quarter.

(Unit: millions of yen)

Frontier Technology	Fiscal year ended February, 2023	Fiscal year ended February, 2024					full year	VS Fiscal year ended February, 2023	Previous Forecast	Previous Forecast Achievement rate
		1Q	2Q	3Q	4Q					
Revenue	741	96	594	506	676	1,874	252.9%	1,847	101.5%	

Main areas of action






Power Semiconductors
SiC single crystal, Ga2O3 single crystal



Aerospace & Defense



Medical Esthetic



LIDAR, 5G



Quantum



Energy

Next, we will explain about the Frontier Technology business.

The consolidation of Raicol started in the second quarter, and revenue was 252.9% year on year to 1,874 million yen.

This was slightly above the previous forecast.

■ Raicol PMI since March 2023 has been proceeding steadily despite the impact of the recent conflict in Israel.

Raicol revenue have been on a solid growth trend

Sixteen employees were initially mobilized as reserves, but all have returned to work

Co-Exhibiting at Major International Exhibitions (USA, Germany, Japan)
Accelerate collaboration in revenue activities

Selected 12 themes for joint projects and assigned a project manager for each theme

(millions of yen)

	2021	2022	2023
revenue at Raicol *	1,159	1,594	1,903



January 30 to February 1, 2024
Joint booth at Photonics West2024

* NIS (new shekel) = JPY 40

* Consolidation into the Company started in the second quarter of the fiscal year ending February 2024.

We will explain the status of the business integration of Raicol.

Since becoming a subsidiary in March 2023, the two companies have deepened exchanges and are now working on integration.

Despite the impact of the recent conflict in Israel from October 2023, Raicol's revenue has been increasing steadily. Raicol's revenue for 2023 was approximately 1.9 billion yen.

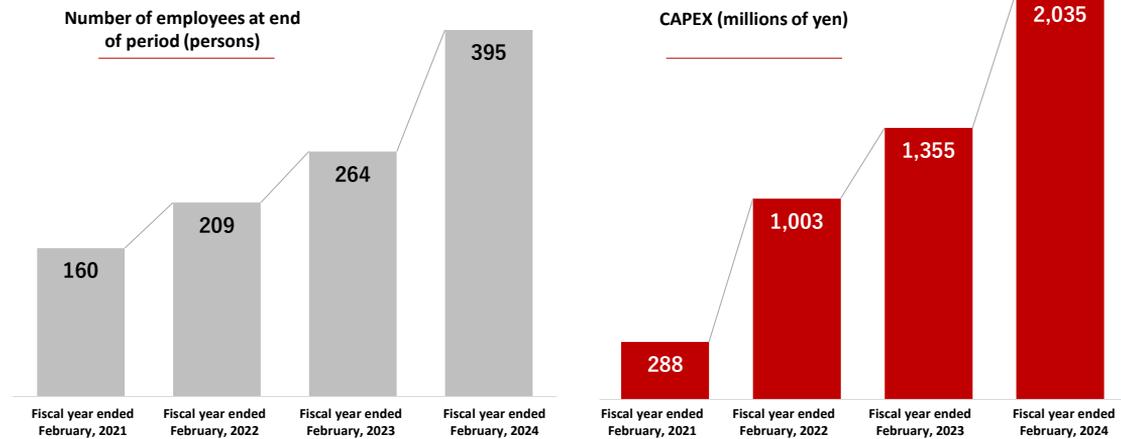
Sixteen employees were initially mobilized as reserves, but all have returned to work.

In the area of sales and marketing, we are accelerating our alliances by jointly exhibiting at major trade shows.

In the area of research and development, we have selected 12 projects to be pursued by both companies and are deepening cooperation, including through employee visits.

[Number of employees] [CAPEX]

- The number of employees increased significantly as a result of the Raicol acquisition.
- We continue to make aggressive CAPEX to increase production.



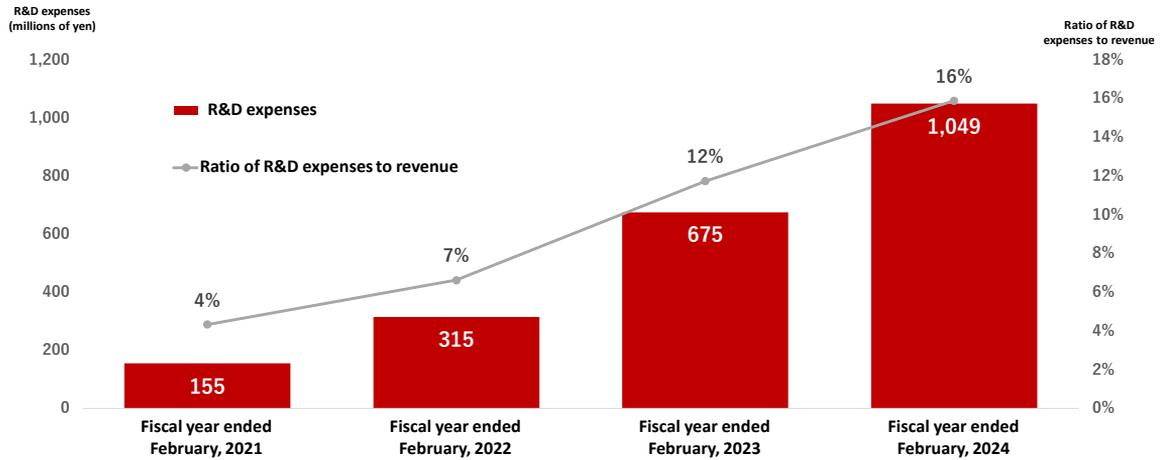
Next, we will explain a number of employees and CAPEX.

The number of employees increased significantly following the acquisition of Raicol, bringing the total number of employees to 395 on a consolidated basis.

CAPEX were 2,035 million yen, mainly for the fourth plant for the Semiconductor Business and the fifth plant for the Power Semiconductor Business.

[R&D expenses]

■ R&D expenses were 1,049 million yen, approximately 16% of revenue.
We strengthened R&D activities, mainly in the Semiconductor business and power Semiconductors, toward future growth.



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We will explain the R&D expenses.

R&D expenses were 1,049 million yen, approximately 16% of revenue.

We strengthened our R&D activities, mainly in the Semiconductor business and Power Semiconductors, toward future growth.

Fiscal year ending February 28, 2025: forecast (Consolidated)

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- Revenue is expected to increase by 1,946 million yen year on year, for a full-year total of 8,553 million yen.
- We expect to achieve an operating margin of 2.4%.
- EBITDA margin is expected to be 14.7%.

(Unit: millions of yen)

	Fiscal year ended February 29, 2024	Fiscal year ending February 28, 2025					full year	Gap against Fiscal year ended February 29, 2024
		1Q	2Q	3Q	4Q			
Revenue	6,606	1,514	1,968	2,446	2,623	8,553	1,946	
Operating profit	- 983	- 270	8	199	265	202	1,185	
(operating margin)	- 14.9%	- 17.8%	0.4%	8.1%	10.1%	2.4%	-	
R&D expenses	1,049	354	363	376	374	1,469	419	
Capital expenditures	2,035					1,464	- 571	
EBITDA *	- 136	- 16	268	467	538	1,259	1,395	
(EBITDA margin *)	- 2.1%	- 1.1%	13.6%	19.1%	20.5%	14.7%	-	

* EBITDA: Operating profit plus depreciation and amortization * EBITDA margin ratio: EBITDA / revenue

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Next, we will explain our consolidated forecast for the fiscal year ending February 2025.

Revenue is expected to increase by 1,946 million yen year on year, for a full-year total of 8,553 million yen.

Along with the increase in revenue, we expect operating profit to turn positive at 202 million yen.

The operating margin is expected to be 2.4%.

In addition, from this fiscal year, we will adopt EBITDA margin which is widely used in Japan and overseas as an indicator to measure cash generation, as a key management indicator.

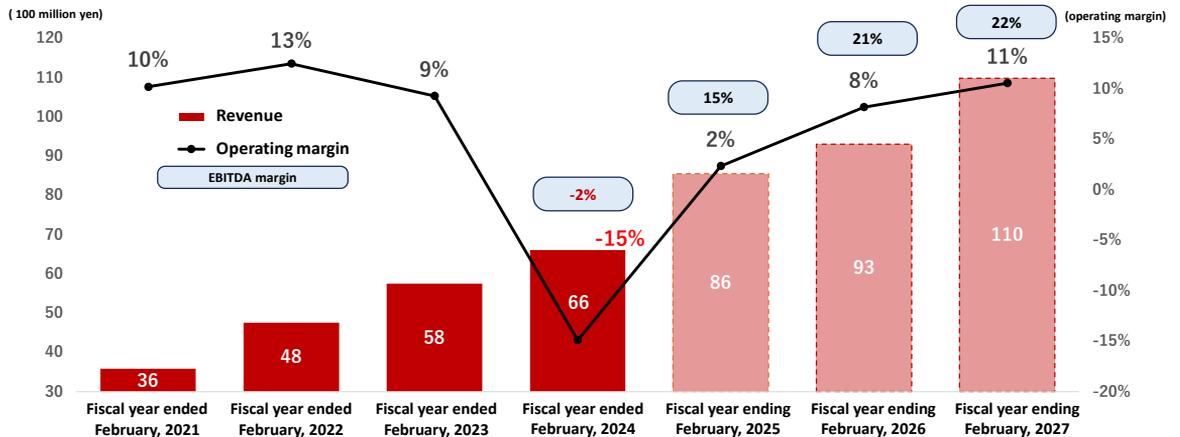
EBITDA margin is expected to be 14.7%.

Mid-term management objectives

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(Fiscal year ending February, 2025 to Fiscal year ending February, 2027)

- From this fiscal year, we will focus on operating margin and EBITDA margin as our key management indicators. The targets for these two measures are an operating margin of 10% and an EBITDA margin of 20%.
- For the fiscal year ending February 28, 2027, we expect revenue of approximately 11 billion yen, an operating margin of 11%, and an EBITDA margin of 22%.



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Finally, we will explain our medium-term management objectives.

The targets for these two measures are an operating margin of 10% and an EBITDA margin of 20%.

For the fiscal year ending February 28, 2027, we expect revenue of approximately 11 billion yen, an operating margin of 11%, and an EBITDA margin of 22%.



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Healthcare



Power
Semiconductor

Contributing to Society with Crystals and Light Crystal Miracles by OXIDE



Display



Automatic
operation



5G