

The logo for OXIDE Corporation, featuring the word "OXIDE" in a bold, red, serif font.

## **Supplementary Explanation Material for FY2025 Feb 3Q Financial Results**

**OXIDE Corporation  
(6521 TSE Growth)  
January 14, 2025**

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

- 01** Financial Results for the 3Q of the FY2025 Feb Consolidated Financial Results
- 02** Business Results : Semiconductor, Healthcare, and Frontier Tech
- 03** Raicol's "Goodwill" Impairment
- 04** Downward revision of full-year earnings budget for the FY2025 Feb
- 05** Acquisition and Cancellation of Stock Acquisition Rights in the 8th Series with Exercise Price Amendment Clause
- 06** Message to Investors

This is today's agenda.

## Results for the 3Q of the FY2025 Feb

■ Revenue were JPY 2,322M. (Decreased by JPY 123M from the budget, increased by JPY 952M YoY)

■ Operating income was JPY 39M. (Decreased by JPY 159M from the budget and increased by JPY 580M YoY)

(Unit: JPY M)	FY25/Feb 1Q			FY25/Feb 2Q			FY25/Feb 3Q			FY25/Feb 1Q - 3Q Total		
	Budget	Result	Variance	Budget	Result	Variance	Budget	Result	Variance	Budget	Result	Variance
Revenue	1,514	1,388	▲ 126	1,968	2,010	42	2,446	2,322	▲ 123	5,929	5,721	▲ 207
Operating Profit	▲ 270	▲ 406	▲ 135	8	9	1	199	39	▲ 159	▲ 63	▲ 356	▲ 293
(Operating Profit Margin)	▲17.8%	▲29.3%	-	0.4%	0.5%	-	8.1%	1.7%	-	▲1.1%	▲6.2%	-
R&D Expenditure	354	315	▲ 38	363	311	▲ 52	376	365	▲ 10	1,094	992	▲ 101
EBITDA <sup>※</sup>	▲ 16	▲ 144	▲ 128	268	280	12	467	309	▲ 157	719	446	▲ 272
(EBITDA Margin <sup>※</sup> )	▲1.1%	▲10.4%	-	13.6%	14.0%	-	19.1%	13.3%	-	12.1%	7.8%	-

※EBITDA: Operating income plus depreciation and amortization (including depreciation and amortization and amortization of goodwill, etc.)

I will begin with an overview of the third quarter results.

Revenue were JPY 2,322M. (Decreased by JPY 123M from budget, increased by JPY 952M YoY)

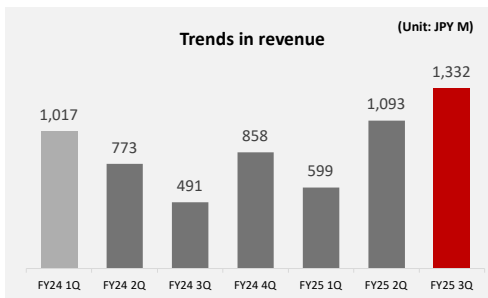
Operating income was JPY 39M. (Decreased by JPY 159M from the budget and increased by JPY 580M YoY)

## Semiconductor Revenue

OXIDE

- Revenue in the Semiconductor business increased by JPY 80M from the budget of JPY 1,251M to JPY 1,332M, a record high for the quarter.
- Revenue increased by JPY 841M YoY.

(Unit: JPY M)	FY25/Feb 1Q			FY25/Feb 2Q			FY25/Feb 3Q			FY25/Feb 1Q - 3Q Total		
	Budget	Result	Variance	Budget	Result	Variance	Budget	Result	Variance	Budget	Result	Variance
Revenue	749	599	▲ 149	1,131	1,093	▲ 37	1,251	1,332	80	3,131	3,025	▲ 106



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Next, I would like to explain the results by business.

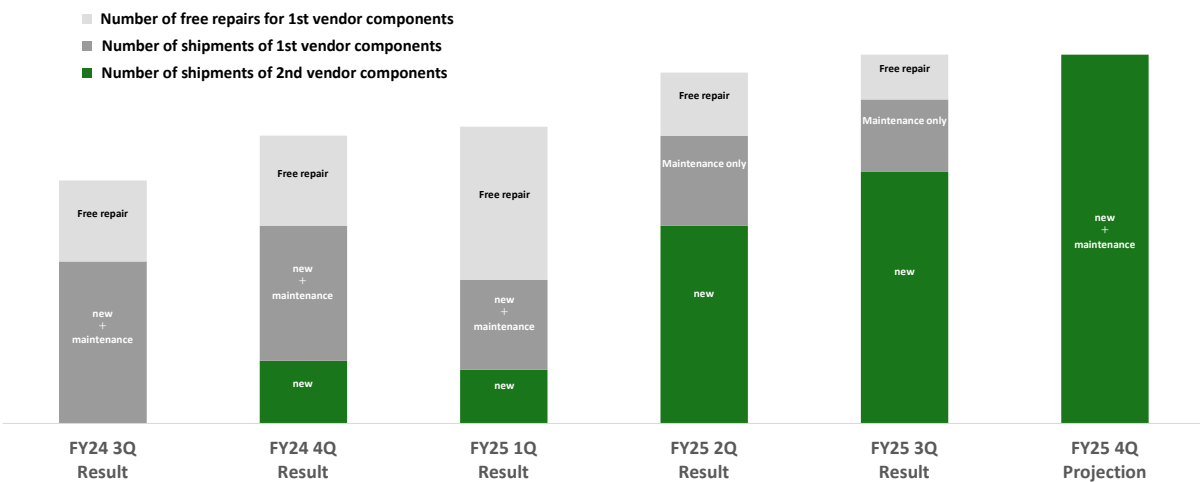
First of all, I would like to talk about the semiconductor business.

Revenue in the Semiconductor business increased by JPY 80M from the budget of JPY 1,251M to JPY 1,332M, a record high for the quarter.

In addition, revenue increased by JPY 841M compared to the same period of the previous fiscal year.

■ The components failure issue has been completely resolved. The yield of second-vender components remains at 100%.

■ The switch of components to the second vendor proceeded smoothly, and the certification of the switching of parts at a major customer was completed.



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I will explain the shipment breakdown of Laser Products.

The components failure issue has been completely resolved. The yield of second-vender components remains at 100%.

The switch of components to the second vendor proceeded smoothly, and the certification of the switching of parts at a major customer was completed.

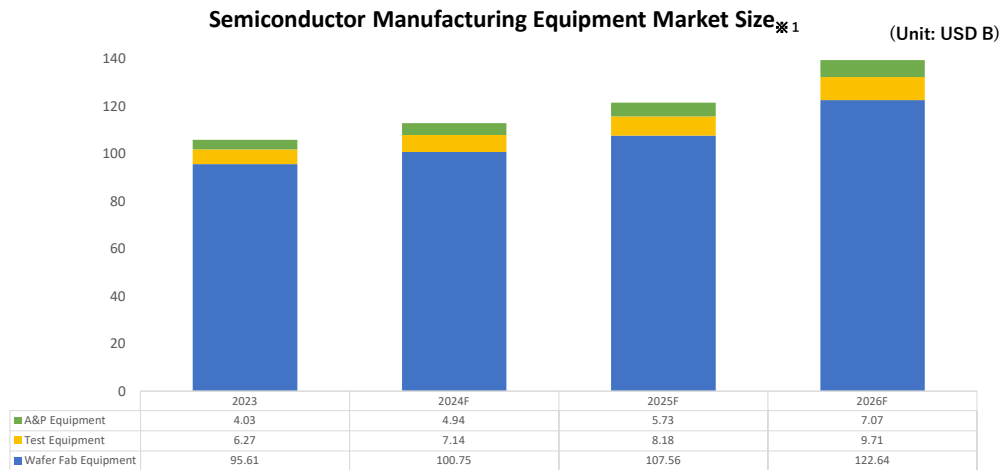
Since the second quarter, all new laser products have been using second vendor components.

In the third quarter, first vendor components were included only for free repair and maintenance services.

In the fourth quarter, all maintenance services as well as new products are expected to switch to second vendor components.

■ In December 2024, SEMI updated its forecast figures for the semiconductor inspection equipment market.

The market remains on a growth trend.



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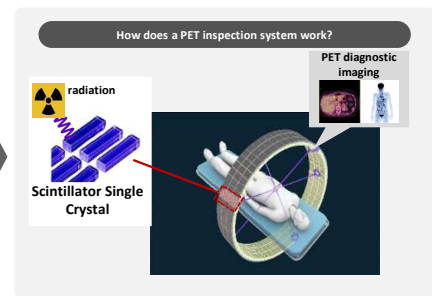
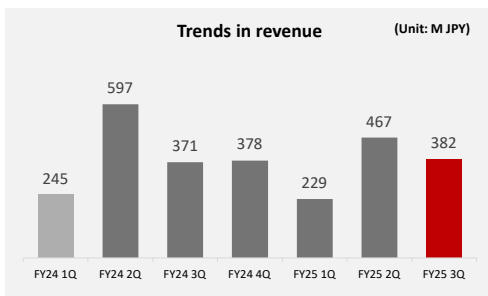
Next, I will explain the macro environment for semiconductor manufacturing equipment.

In December 2024, SEMI updated its forecast figures for the semiconductor inspection equipment market.

The market remains on a growth trend.

- We have obtained official adoption certification from a major new customer for cancer diagnostic PET equipment.
- Revenue for the third quarter decreased by JPY 189M from the budget of JPY 571M to JPY 382M, but exceeded budgets for 1Q – 3Q total.
- We also continue to receive inquiries for brain PET devices, which are expected to be in demand in the future.

(Unit: JPY M)	FY25/Feb 1Q			FY25/Feb 2Q			FY25/Feb 3Q			FY25/Feb 1Q - 3Q Total		
	Budget	Result	Variance	Budget	Results	Variance	Budget	Result	Variance	Budget	Result	Variance
Revenue	188	229	41	257	467	210	571	382	▲ 189	1,017	1,078	61



Next, I would like to explain the healthcare business.

In the healthcare business, We have obtained official adoption certification from a major new customer for cancer diagnostic PET equipment.

Revenue for the third quarter decreased by JPY 189M from the budget of JPY 571M to JPY 382M, but exceeded budgets for the cumulative total through the third quarter.

We also continue to receive inquiries for brain PET devices, which are expected to be in demand in the future.

- Factors that contribute to the acquisition of new customer are analyzed from the perspectives of “nurturing technology,” “mass production technology,” and “supply chain”.



Our scintillator single crystal ingots

1

With high-performance, high-quality scintillator crystals are contributing to higher resolution of PET equipment

Crystal Growth Technology

2

The world's largest single crystal ingot  
Achieving cost competitiveness

Mass Production Technology

3

Made in Japan to help reduce geopolitical risks

Supply Chain

Next, I will explain the factors that contributed to our success in acquiring new customer.

First, our high-performance, high-quality scintillator elements can contribute to the higher resolution of PET equipment.

Second, we have achieved high cost competitiveness with the world's largest single-crystal ingot.

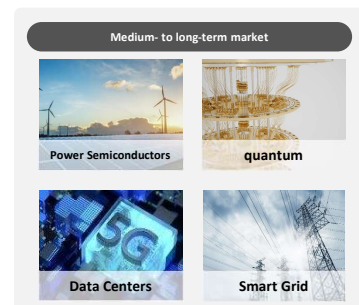
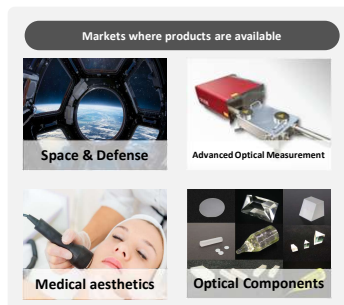
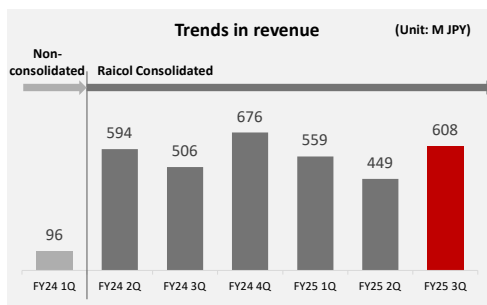
Third, we can contribute to the reduction of geopolitical risks with our products made in Japan.

We will continue to leverage the strengths of our scintillator products to aggressively develop new customers and new applications.



- Revenue in the Frontier Tech business decreased by JPY 14M from the budget of JPY 623M to JPY 608M.
- OXIDE non-consolidated revenue increased compared to the budget due to winning a new data center project, while Raicol's non-consolidated revenue decreased compared to the budget due to the impact of the prolonged conflict in Israel.

(Unit: JPY M)	FY25/Feb 1Q			FY25/Feb 2Q			FY25/Feb 3Q			FY25/Feb 1Q - 3Q Total		
	Budget	Result	Variance	Budget	Result	Variance	Budget	Result	Variance	Budget	Result	Variance
Revenue	577	559	▲ 18	579	449	▲ 130	623	608	▲ 14	1,780	1,617	▲ 163



Next, I will explain about the Frontier Tech Business.

Revenue in the Frontier Tech business decreased by JPY 14M from the budget of JPY 623M to JPY 608M.

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Advanced Optical Measurement

### Deep Ultraviolet Laser

Application of semiconductor circuit pattern inspection system

- The Institute for Solid State Science, the University of Tokyo has developed a new electron microscope called a laser photoelectron microscope. Our lasers are used in this development.
- Joint research for practical application with semiconductor inspection equipment manufacturers has been announced.
- It is expected to be a new market because it can be more than 1,000 times faster than circuit pattern inspection in semiconductor processes.

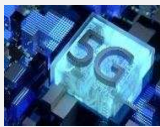


Power Semiconductors

### SiC and Gallium Oxide

Electric Power Infrastructure, EV, Home Appliance Applications

- We established a subsidiary, Oxide Power Crystal Co., Ltd., and transferred Oxide's SiC business.
- We exhibited solution-based SiC wafers and gallium oxide wafers at SEMICON Japan.
- We aim to enter the rapidly growing next-generation power semiconductor market.



Optical Components

### Faraday Rotator

Generative AI and Data Center Applications

- Based on our proprietary single crystal core technology, we have started selling a product of a single crystal element called a Faraday rotator, which has the property of rotating the polarization direction of light.
- Demand is expanding against the backdrop of an increase in mobile data traffic due to the spread of generative AI and cloud services, as well as a rapid increase in the number of data centers in various countries.



Quantum

### Module for Quantum Entangled Photon Source

Quantum cryptography communication and Quantum sensing applications

- We are developing high-value-added products from crystals and devices to modules.
- We have succeeded in fabricating a module that generates entangled photon pairs with high efficiency.
- We have started selling it as a highly practical system demonstration test product.

We made progress in four main research themes: advanced optical measurement, power semiconductors, data centers, and quantum in the third quarter.

In the advanced optical measurement field, deep-ultraviolet lasers were applied to semiconductor circuit pattern inspection systems,

In the power semiconductors field, SiC and gallium oxide are applied to power infrastructure, EVs, and home appliances,

In the optical components field, Faraday rotators are used in generative AI and data centers,

In the quantum field, we have made progress in the application of modules for quantum entangled light sources to quantum cryptography communication and quantum sensing.

Based on these achievements, we will continue to enter growing markets and create new value.

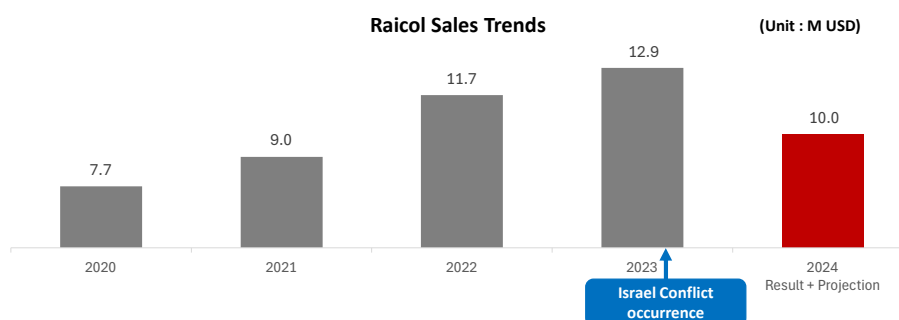
## **Raicol's "Goodwill" Impairment**

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Next, I would like to explain the impairment loss of Raicol's goodwill.

## Background of Raicol's "Goodwill" impairment

- We take an impairment loss of JPY 2,715M, which is equivalent to the full amount of the goodwill of Raicol, which was acquired in March 2023.  
The impairment loss was due to a discrepancy between the business plan envisioned at the time of the acquisition of Raicol and the actual results.
- The main reasons for the discrepancy are sluggish orders from some customers since the conflict in Israel, trade restrictions between Israel and some neighboring countries, and product switches due to growing supply chain concerns for Israeli products by some customers.
- Due to the uncertainty caused by the conflict in Israel, we are more conservative than we were at the time of the acquisition.
- Raicol's technology and know-how will continue to contribute to the enhancement of the value of the entire group, and there is no change to the strategic policy of expanding business domains (Quantum, Aerospace and Defense, Semiconductors) and strengthening cross-selling, which was set forth at the time of the acquisition.



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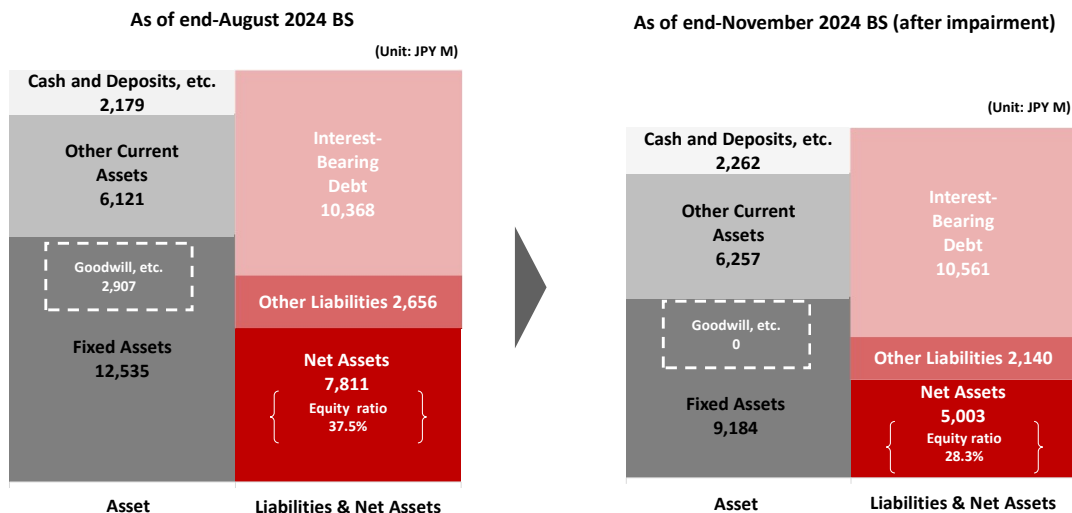
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Raicol's technology and know-how will continue to contribute to the enhancement of the value of the entire group, and there is no change to the strategic policy of expanding business domains (Quantum, Aerospace and Defense, Semiconductors) and strengthening cross-selling, which was set forth at the time of the acquisition.

**Impact of Raicol's "Goodwill" Impairment**

- After the impairment loss, total Net Assets as of the end of the 3Q of this fiscal year were JPY 5,003M, and the Equity Ratio was 28.3%.
- Depreciation and amortization of goodwill from the next fiscal year onward will decrease by approximately JPY 270M per year (current budget).



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Note: Interest-bearing debt does not include lease liabilities. 13

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## **Downward revision of full-year budget for the FY2025 Feb**

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Next, I would like to explain the downward revision of the full-year earnings budget.

## Downward revision of full-year budget

■ ■ We have revised our full-year budget for the FY2025 Feb as follows.

- Revenue and Operating Profit: OXIDE on a non-consolidated basis exceeded budgets, but due to the situation at Raicol, consolidated revenue and profits decreased.
- Ordinary Income: For the full fiscal year, foreign exchange gains are expected, and the margin of decline in profit will be reduced compared to operating income.
- Net Income: This decrease was due to the impairment of Raicol's goodwill and the recording of extraordinary losses on the write-down of defective parts (first vendor components) in the semiconductor business.

The issue with defective components in the semiconductor business has now been resolved through the switch to a second vendor.

(Unit: JPY M)	FY2025 Feb		
	Original Budget	Revised Budget	Variance
Revenue	8,553	8,300	▲ 253
Operating Profit	202	0	▲ 202
Ordinary Income	129	50	▲ 79
Net Income	16	▲ 2,850	▲ 2,866
EBITDA ※	1,259	1,000	▲ 259

※EBITDA: Operating income plus depreciation and amortization (including depreciation and amortization and amortization of goodwill, etc.)

We have revised our full-year budget for the FY2025 Feb downward.

Revenue and operating income on a non-consolidated basis exceeded budgets, but the situation at Raicol led to a decrease in revenue and income on a consolidated basis.

Ordinary income is expected to be foreign exchange gains for the full fiscal year, and the margin of decline will be reduced compared to operating income.

Net income decreased due to the impairment of Raicol's goodwill and the recording of extraordinary losses due to the write-down of defective parts (first vendor components) in the semiconductor business.

The issue with defective components in the semiconductor business has now been resolved through the switch to a second vendor.

**Financial Covenants**

- Of the Company's borrowings, 5,245M JPY is expected to be in conflict with the Covenant due to the impairment of Raicol's goodwill.
- We have notified the banks of the covenant conflict in advance.

As of end-November 2024 BS

(Unit: JPY M)

Cash and Deposits, etc. 2,262	Interest-Bearing Debt 10,561  { Short-Term Borrowings: 2,900 Long-Term Borrowings: 7,507 }
Other Current Assets 6,257	
Fixed Assets 9,184	Other Liabilities 2,140
<b>Asset</b>	<b>Net Worth 5,003</b>
	<b>Liabilities &amp; Net Assets</b>

Short-term borrowings

Of the outstanding short-term borrowings (JPY 2,900M), the balance of short-term borrowings under the commitment line agreement (JPY 2,100M) is expected to conflict with the financial covenant.

Long-term borrowings

Of the outstanding long-term borrowings (JPY 7,507M), the outstanding amount of long-term loans such as syndicated loans (JPY3,145M) is expected to conflict with the financial covenant.

Prior Reports and Requests to Financial Institutions

- With regard to short-term loans, we are requesting banks to maintain existing commitment lines.
- With regard to long-term loans, we have explained to our banks that we can repay the current normal loan (approximately JPY 1.1B per year) with future cash flows, and we have received their understanding.

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Of the Company's borrowings, 5,245 million yen is expected to be in conflict with Covenant due to the impairment of Raicol's goodwill.

We have notified the banks of the Covenant Conflict in advance.



## **Acquisition and Cancellation of Stock Acquisition Rights in the 8th Series with Exercise Price Amendment Clause**

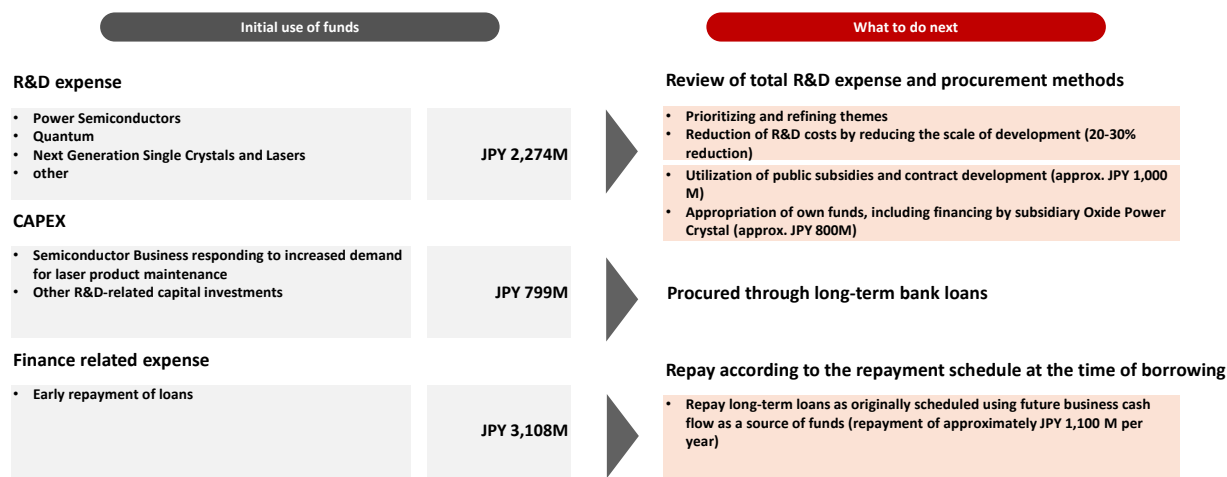
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Next, I would like to explain the acquisition and cancellation of stock acquisition rights in the 8th series with an exercise price amendment clause.

## Acquisition and Cancellation of the 8th Series of Stock Acquisition Rights with Exercise Price Amendment Clause

■ As a result of careful consideration of the future management policy in light of the impairment of Raicol's "goodwill" and the downward revision of the full-year results for the current fiscal year, we have decided to acquire and cancel the 8th series of stock acquisition rights with an exercise price amendment clause issued in August 2024.

■ We revised the original use of proceeds by canceling them. The future response is as follows.



As a result of careful consideration of the future management policy in light of the impairment of Raicol's "goodwill" and the downward revision of the full-year results for the current fiscal year, we have decided to acquire and cancel the 8th series of stock acquisition rights with an exercise price amendment clause issued in August 2024.

We revised the original use of proceeds by canceling them. The future response is as follows.

With regard to R&D expense, we will reduce the total amount by prioritizing and narrowing down each theme, while utilizing public subsidies and development contracts, as well as allocating our own funds, including financing from our subsidiary Oxide Power Crystal.

CAPEX have been procured through long-term loans from banks.

With regard to the early repayment of finance-related funds and borrowings, we will repay long-term loans as originally scheduled, using future business cash flows as a source of funds.

## Message to Investors

**OXIDE**

- OXIDE group will strive to maintain and improve its financial soundness by strengthening its earnings structure, while aiming for further growth in its business operations.
- OXIDE Group's core technologies, single crystal technology and wavelength conversion technology, have been commercialized in the semiconductor and healthcare fields, and have driven the Company's growth to date. In the future, we aim to commercialize the fields of "advanced optical measurement", "power semiconductors", "optical components" and "quantum", which we are focusing on in our new domain business.
- We will strengthen our earnings structure by reviewing our basic policy on R&D expenses and CAPEX. We will clarify and narrow down R&D expenses. With regard to CAPEX, it is expected that the large-scale CAPEX plans for the past few years will come to a halt, and the total amount will be reduced.
- We will explain our initiatives for the next fiscal year and beyond when we announce our full-year financial results in April 2025. We would like to ask our shareholders for their continued support of the Group.

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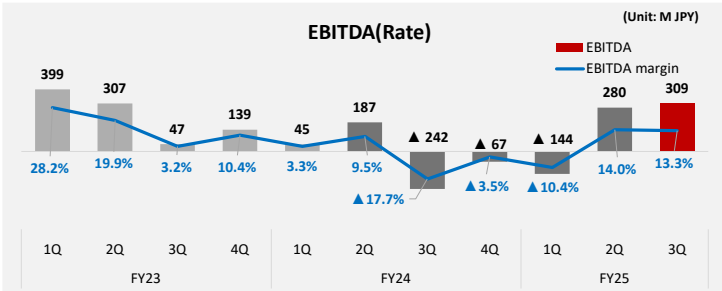
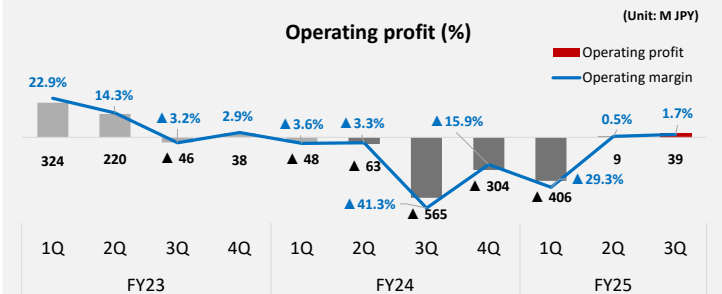
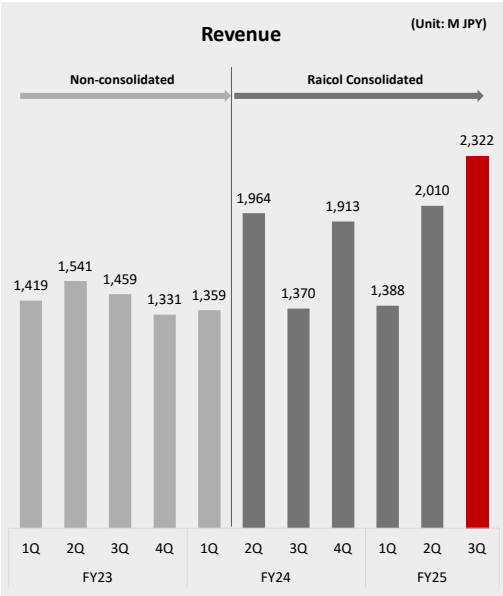
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We will explain our initiatives for the next fiscal year and beyond when we announce our full-year financial results in April 2025.

We would like to ask our shareholders for their continued support of the Group.

# Appendix

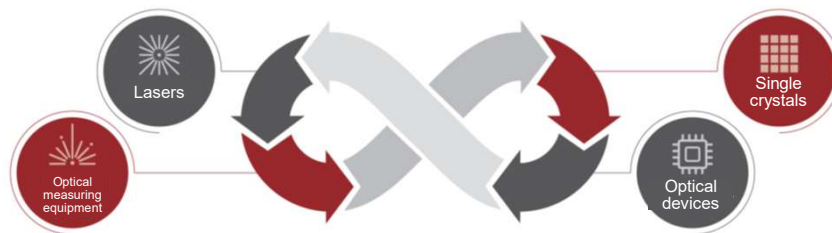
Appendix Financial Trends



Note: In the fourth quarter of the fiscal year ending February 2024, we revised the allocation of acquisition costs due to the finalization of the PPA associated with the acquisition of Raicol as a subsidiary. As a result, the figures for the second and third quarters of the fiscal year ending February 2024 are retroactive.

## Be a global-niche-top company in **single crystals and Lasers**

- Use the results of our research to benefit society, and provide **key materials** to the world
- Provide **material solutions** to customers and contribute to the development of society
- Develop products centered on single crystals, and continue to create **future market opportunities**





# OXIDE

<https://www.opt-oxide.com>

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The matters contained in this material are opinions based on the Company's assumptions and beliefs at the time of preparation of the materials, and do not guarantee or promise the accuracy or completeness of the information.

It includes risks that may affect actual business performance, economic trends, industry demand, and other uncertainties.

Our projections and actual results may differ. Thank you for your understanding.

The amount described in this document is rounded down to the nearest display unit, and the ratio is rounded to the nearest display unit, so the total breakdown may not match the total.

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