



Supplementary Explanatory Materials for the Fiscal Year Ended February 28, 2023

**April 14, 2023
TSE Growth Market: 6521
OXIDE Corporation**

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I will now explain our financial results for the fiscal year ended February 28, 2023.

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- Other plans (consolidated)



This material was not prepared for the purpose of soliciting investments in securities issued by the Company.
The information herein is based on the Company's assumptions and beliefs at the time of preparation. No guarantee or promise is made as to the accuracy or completeness thereof.
The information includes risks, economic trends, industry demand, and other uncertainties that may affect actual results.
Therefore, the Company's forecasts and the actual results may differ materially. Thank you for your understanding.
The amounts in this material are rounded down to the indicated unit, and percentages are rounded off to the indicated unit. Therefore, the total of the breakdown and the actual total may not be the same.

I'll start with an overview.

After that, I will move on to the forecasts for the fiscal year ending February 29, 2024.

Results and percentage of achievement of full-year forecasts

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FY2023 Financial Results

FY2024 Forecasts

- Net sales increased for the sixth consecutive fiscal year, and ordinary profit increased for the fifth consecutive fiscal year, both reaching record highs.

(Million yen)

	FY2/22					FY2/23	YoY	Previous forecast (Jan. 13)	Achievement
		1Q	2Q	3Q	4Q				
Net sales	4,756	1,419	1,541	1,459	1,331	5,752	+20.9%	5,870	98.0%
Gross profit	1,630	703	638	460	476	2,279	+39.8%	2,210	103.1%
SG&A	1,033	378	418	507	438	1,742	+68.6%	1,692	103.0%
Of which, R&D expense	315	134	182	202	155	675	+114.2%	682	99.0%
Operating profit	596	324	220	-46	38	537	-10.0%	516	104.1%
Non-operating income/loss	2	28	12	-3	109	150	+6731.8%	34	443.6%
Ordinary profit	598	353	233	0	147	687	+14.8%	550	125.1%
Total depreciation and amortization	269	74	86	93	100	356	+32.2%	371	96.1%

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Let's look at the results and the percentage of achievement of full-year forecasts.

Net sales were 5,752 million yen, up 20.9% from the previous year; operating profit was 537 million yen, down 10% from the previous year; and ordinary profit was 687 million yen, up 14.8% from the previous year.

Net sales increased for the sixth consecutive fiscal year, and ordinary profit increased for the fifth consecutive fiscal year, both reaching record highs.

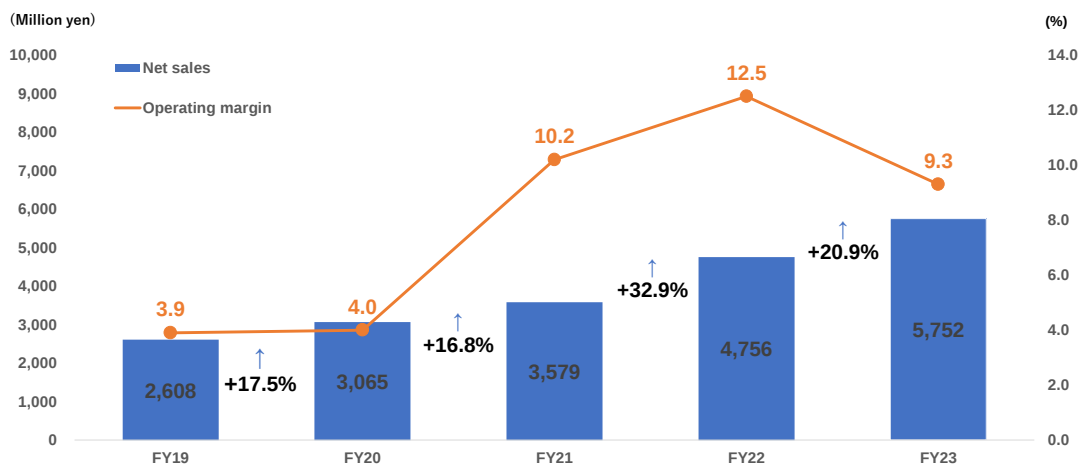
Performance (FY2019-FY2023)

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FY2023 Financial Results

FY2024 Forecasts

■ Net sales growth was 20.9%, and the operating margin was 9.3%.



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Next, let's look at performance and results versus management indicators.

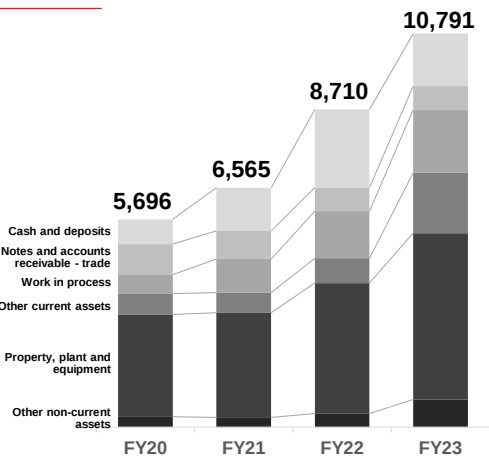
We have set forth management indicators of 20% in net sales growth and an operating margin of 10%.

In FY2023, we achieved 20% growth in net sales, but the operating margin fell short by 0.7%.

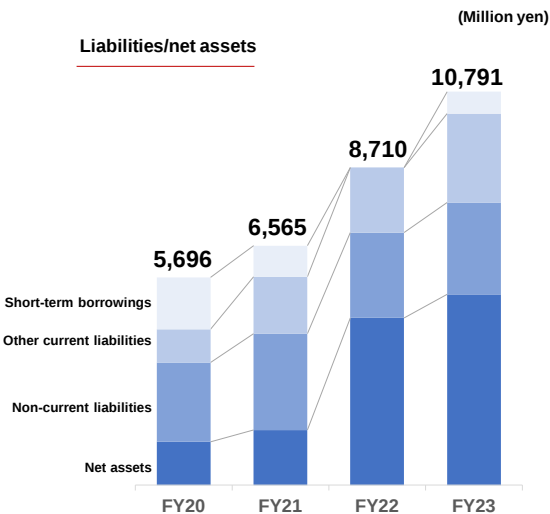
Balance sheet

■ Total assets increased by 2,081 million yen.

Assets



Liabilities/net assets



Next, let's look at the Balance Sheet.

Total assets increased by 2,081 million yen from 8,710 million yen at the end of FY2022 to 10,791 million yen at the end of FY2023.

The breakdown of the increase is 436 million yen in work in process, 1,369 million in non-current assets, and 276 million yen in other assets.

The 1,440 million yen increase in liabilities was offset by a 641 million yen increase in net assets.

Cash flows

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FY2023 Financial Results

FY2024 Forecasts

Financial cash flows were positive to cover the negative operating and investing cash flows.



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Next, let's look at cash flows.

Operating cash flows were a negative 119 million yen due to an increase in inventory assets for increased production.

Investing cash flows were a negative 1,732 million yen due to capital investment in the construction of factories No. 4 and No. 5 and investment and loans.

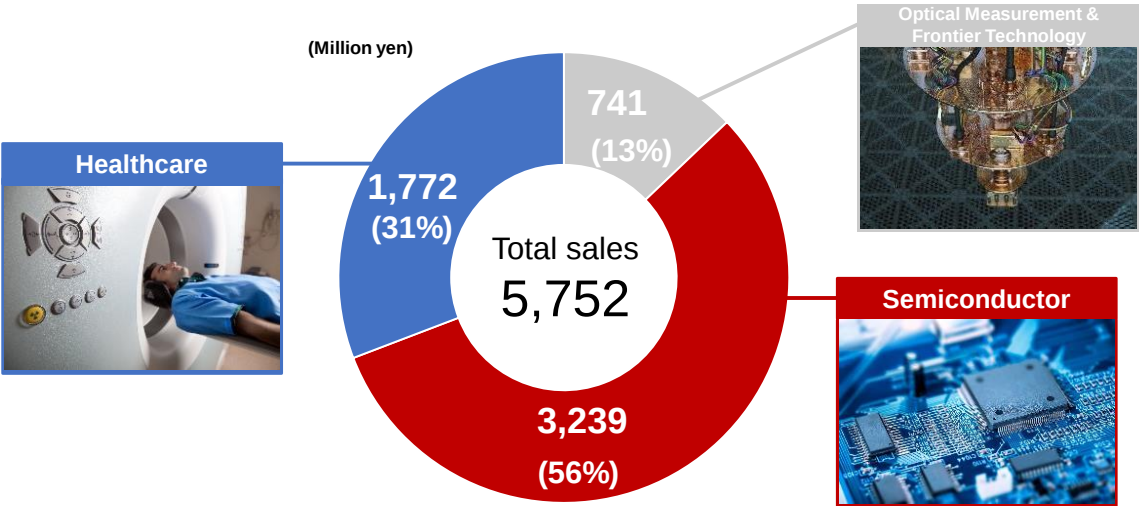
Financing cash flows were a positive 1,121 million yen owing to an increase in borrowings, primarily for capital expenditures.

Free cash flows were a negative 1,851 million yen.

Now, let's move on to performance by business and industry trends.

Breakdown of net sales by business

■ The Semiconductor business accounted for 56% of net sales.



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

The Semiconductor business accounted for 56% of total sales in the fiscal year ended February 28, 2023, the Healthcare business 31%, and the Optical Measurement & Frontier Technology business 13%.

The Semiconductor business, which has demonstrated remarkable market growth and market share expansion, increased by around 5% from the previous year.

[Semiconductor]

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FY2023 Financial Results

FY2024 Forecasts

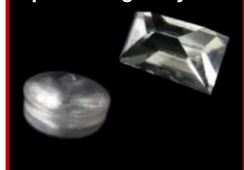
■ The Semiconductor business was up 31.4% YoY, contributing significantly to increased sales.

(Million yen)

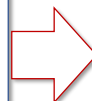
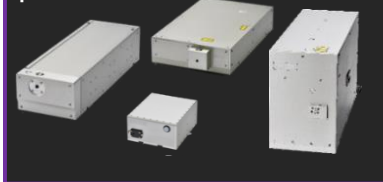
	FY2/22	1Q	2Q	3Q	4Q	FY2/23	YoY	Vs previous forecast	Previous forecast
Net sales	2,465	692	952	707	886	3,239	+31.4%	101.8%	3,181

Our products for semiconductor wafer inspection systems

Optical single crystal



DUV/VUV laser products



Semiconductor wafer inspection system

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Next, let's look at the Semiconductor business.

Right now, the semiconductor market is in decline worldwide.

However, with the construction of state-of-the-art semiconductor factories and the trend toward miniaturization, sales of our laser systems remained strong in the fiscal year under review.

Net sales were up 31.4% to 3,239 million yen, contributing significantly to the overall increase in sales.

The problematic pass rates for some components, which were mentioned at the time of the announcement of third quarter financial results, continue to bounce back to where they were before the problem.

We will work on strengthening the supply chain based on this lesson.

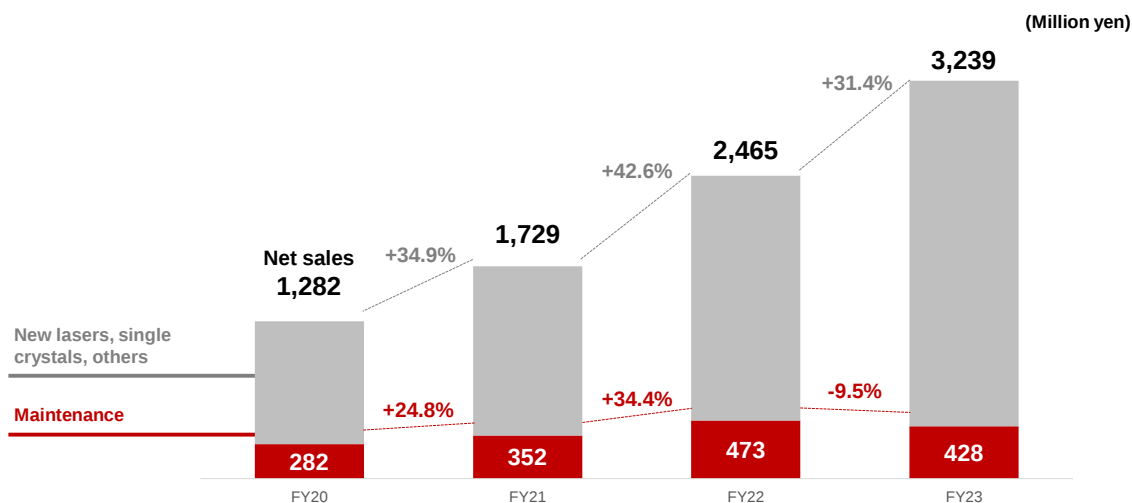
[Semiconductor] Net sales of the Semiconductor business

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FY2024 Forecasts

■ Net sales were up 31.4% YoY owing to robust demand for new lasers.



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Next, let's look at the net sales trend in the Semiconductor business.

Overall, the Semiconductor business sales increased 31.4% from the previous fiscal year owing to strong demand for new lasers. The business has grown by more than 30% over the past three fiscal years.

Of these sales, maintenance sales for laser systems were down 9.5% from the previous year as a result of prioritizing the manufacture of new lasers.

The laser system went into mass production in the fiscal year ended February 28, 2021, so maintenance demand is expected to increase in earnest starting in this fiscal year.

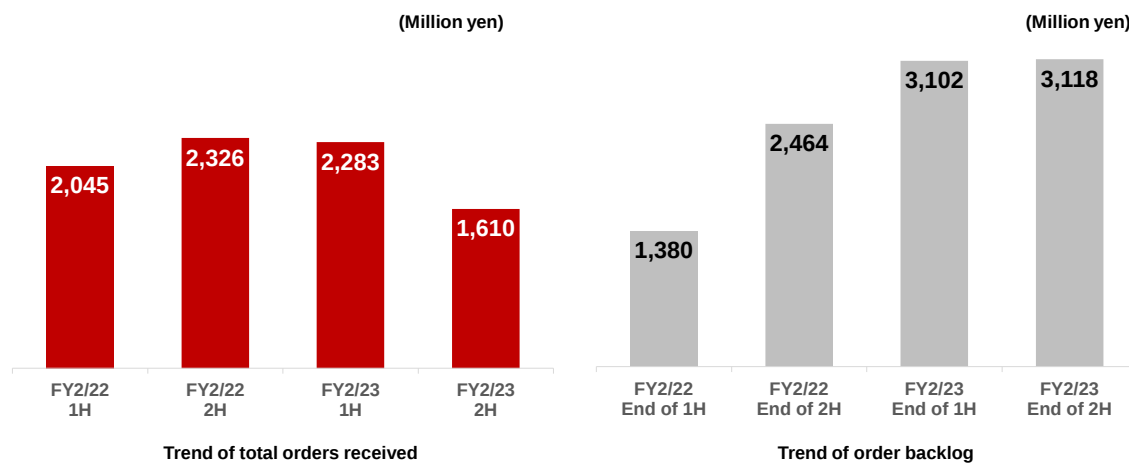
[Semiconductor] Orders received and order backlog

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FY2023 Financial Results

FY2024 Forecasts

■ Pass rates of the acceptance test for externally procured parts are recovering. Orders were temporarily adjusted to focus on solving the problem.



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Next up are orders received and the order backlog in the Semiconductor business.

Orders received in the fiscal year ended February 28, 2023 fell to 1,610 million yen in the second half of the year, compared to 2,283 million yen in the first half.

The reason for this was temporarily adjusting new orders to focus on solving a problem with some procured parts. We are currently taking orders normally.

The order backlog at the end of the year was 3,118 million yen, an increase from the end of the first half.

Next, let's look at the Healthcare business.

[Healthcare]

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FY2023 Financial Results

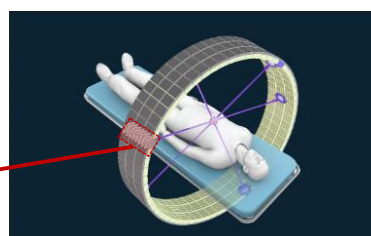
FY2024 Forecasts

- 3Q net sales reached a record high, but 4Q sales were weak due to inventory and production adjustments by customers.

(Million yen)

	FY2/22	1Q	2Q	3Q	4Q	FY2/23	YoY	Vs previous forecast	Previous forecast
Net sales	1,711	490	467	598	216	1,772	+3.5%	90.9%	1,950

Scintillator single crystal and sensor elements for PET



PET scanner structure

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3Q net sales hit a record high in the Healthcare business.

However, 4Q net sales were weak due to inventory and production adjustments by customers.

As a result, net sales were up 3.5% from the previous year to 1,772 million yen.

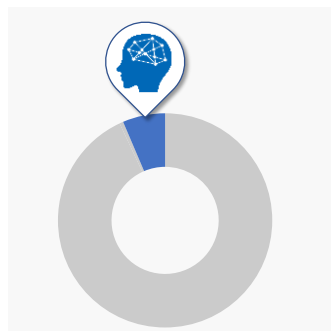
[Healthcare] Brain PET

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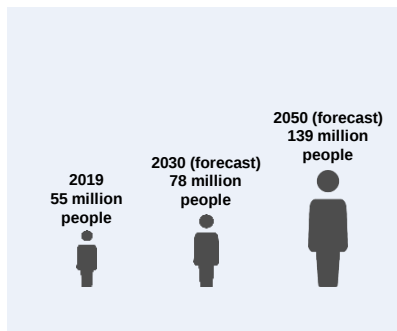
FY2023 Financial Results

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■ Sales of scintillator single crystals for brain PET began to rise in FY2/23.

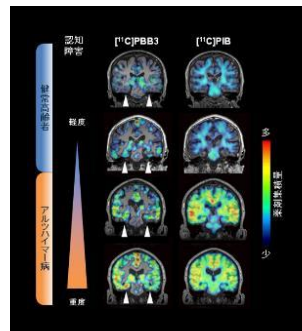


Sales ratio of scintillator single crystals for brain PET in the Healthcare business in FY2/23



Global number of patients with Alzheimer's disease

Source: WHO fact sheets, 20 September 2022



Changes in accumulation of PET radiopharmaceuticals following onset and progression of Alzheimer's disease

Source: National Institutes for Quantum Science and Technology press release

As for the healthcare market, we have high expectations for progress in the market for brain PET scanner.

Medicine for the treatment of Alzheimer's disease co-developed by Eisai and Biogen was approved by the U.S. FDA on January 6. Applications for approval have also been submitted in Europe and Japan.

As the medicine spreads, brain PET scanner will be needed. In the fiscal year ended February 28, 2023, we made sales to research institutions both in Japan and abroad, so we expect further revenue growth.

[Optical Measurement & Frontier Technology]

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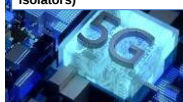
■ Spot sales to research institutes contributed to a 27.9% YoY increase.

(Million yen)

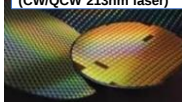
	FY2/22	1Q	2Q	3Q	4Q	FY2/23	YoY	Vs previous forecast	Previous forecast
Net sales	579	236	123	153	228	741	+27.9%	100.3%	739

Global niche market

5G
(Single crystals for optical isolators)



Semiconductor inspection system
(CW/QCW 213nm laser)



Radioactive contamination monitors
(GPS single crystal)



Medical button batteries
(Single crystal as solid-state battery material)



Mass market where we have competitive advantages

MicroLED
(Femtosecond laser)



Photomasks
(Laser for laser lithography)



Laser illumination
(Phosphor single crystal and device)



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



In the Optical Measurement & Frontier Technology business, we are providing solutions that leverage our strengths and creating new businesses.

In the fiscal year ended February 28, 2023, spot sales to research institutions contributed to a 27.9% increase in net sales from the previous fiscal year to 7,410 million yen.

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

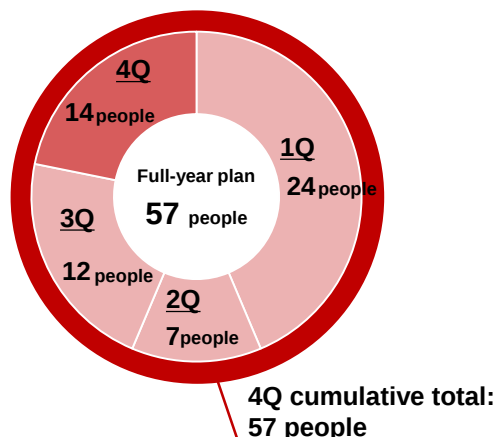
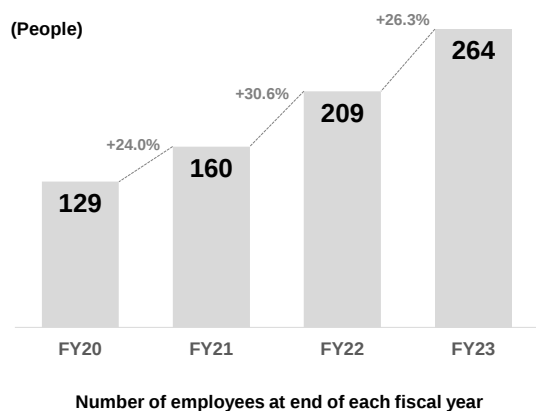
Results vs plan [Personnel]

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■ Hiring was in line with the plan and mainly allocated to the Semiconductor business.

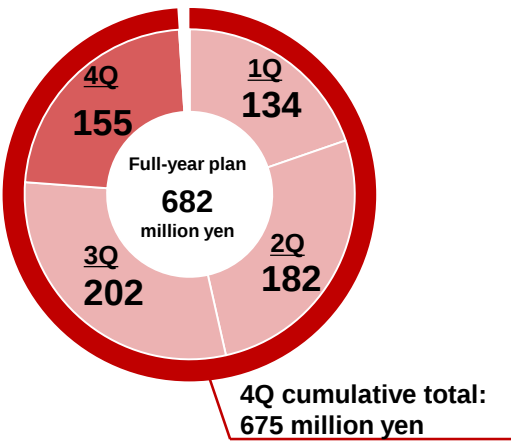
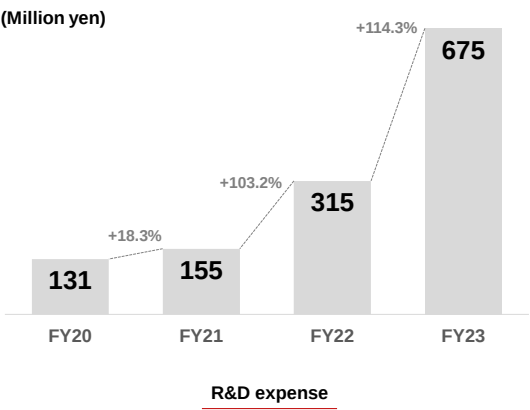


First, in regard to personnel, hiring proceeded according to plan, and the new hires were primarily assigned to the Semiconductor business.

The number of employees at fiscal year-end was up 26.3% from the fiscal year ended February 28, 2022 to 264.

Results vs plan [R&D Expense]

■ We invested 675 million yen, up 114.3% from the fiscal year ended February 28, 2022, mainly to boost R&D related to power semiconductors.



Next, we invested 675 million yen in R&D, up 114.3% from the fiscal year ended February 28, 2022.

We are focusing our investment on power semiconductor-related R&D, an area where we expect growth in the future.

Results vs plan [Capital investment expense]

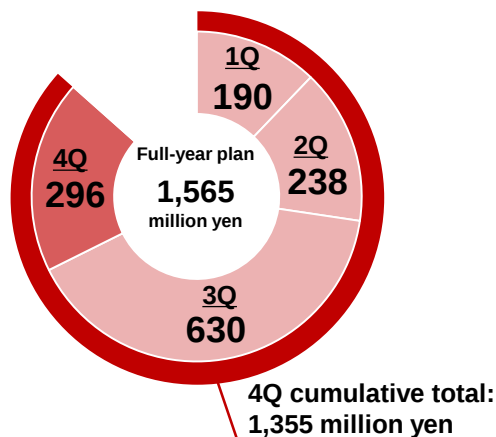
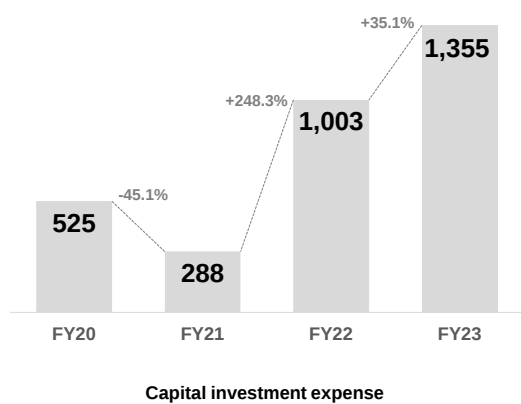
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■ We invested 1,355 million yen, up 35.1% from the fiscal year ended February 28, 2022.

(Million yen)



Next, we recorded 1,355 million yen in capital investment expense, up 35.1% from the fiscal year ended February 28, 2022.

The 210 million yen difference from the plan will be recorded in the fiscal year ending February 29, 2024.

Topics

2022	May	Capital and business alliance with LQUOM, Inc. 22nd Ordinary General Meeting of Shareholders
	Aug	Organizational change (new establishment of Quantum and Communication Center and New Business Promotion Office)
	Sep	Received Early Edge Award in Award for Academic Startups together with LQUOM and Yokohama National University
	Oct	Participated in 3rd Quantum Computing Expo
	Nov	Received Technology Award from Japanese Association for Crystal Growth Decided to raise employee wages to keep pace with inflation
	Dec	Board of Directors resolution on stock split
		Received Excellence Prize at 9th Monodzukuri Nippon Grand Awards
2023	Jan	Agreement on acquiring Raicol Crystals Ltd. shares (making it a subsidiary) ★ Decision on additional investment in LQUOM Participated in Photonics West
	Feb	Investment in HTCS Acquisition of Raicol Crystals Ltd.
	Mar	Partnership with National Institute for Materials Science (NIMS) for startup support ★ Completion of construction of factories No. 4 and No. 5 ★

Next, let's look at the topics.

Making Raicol Crystals Ltd. a subsidiary

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FY2023 Financial Results

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In order to continue to make the world a better place through crystal and optical technology, our aim is to work with Raicol Crystals Ltd. in the field of optics to create a global leading company.

OXIDE CEO
Yasunori Furukawa

Raicol Crystals CEO
Aner Yarden

We always keep moving forward, and never lose the mission to make the world a better place.



On March 1, we made Israel-based Raicol a wholly owned subsidiary.

With Raicol we set these targets and will work to achieve them.

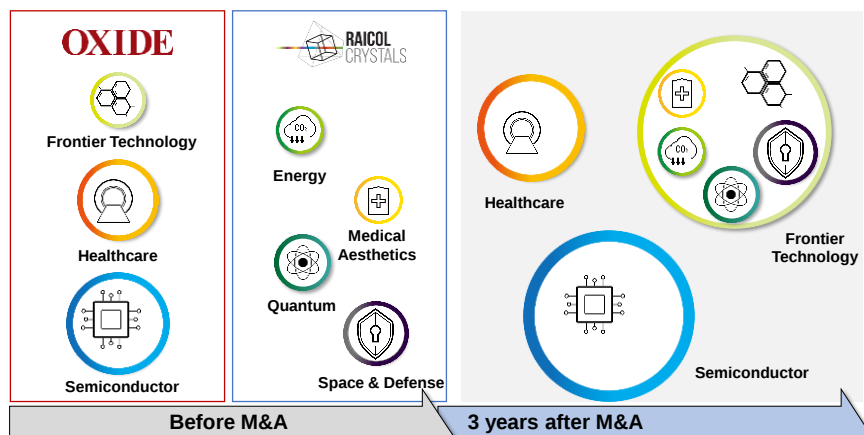
Growth and expansion of business fields

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FY2023 Financial Results

FY2024 Forecasts

- We will strengthen our business in the field of Quantum while adding the fields of Space & Defense, Medical Aesthetics, and Energy.



By making Raicol a subsidiary, we have added Space & Defense, Medical Aesthetics, and Energy to our business fields and will strengthen the Quantum field.

Combining our strengths with those of Raicol, we will strive to become a leading global company in the field of optics.

Investment to promote business expansion

At the end of March, we completed construction of factories No. 4 and No. 5 to promote business expansion.

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2023年3月31日
株式会社オキサイド
代表取締役社長 古川保典

第4工場、第5工場竣工のお知らせ

株式会社オキサイド（本社：山梨県北杜市武川町牧原1747 番地1 代表取締役社長 古川保典）は、本日付で、本社隣接地に第4工場および第5工場が竣工いたしましたので、お知らせいたします。

■ 第4工場について
第4工場では、半導体事業における主力製品であるレーザ装置のメンテナンス業務とサブライチュウムの安定化を目的とした一部主要部品の内製化に取り組みます。当社は、レーザ装置の量産体制を確立して以来、新規レーザ装置の累計出荷台数が増加しております。レーザ装置は、新規販売から一定期間（1年から2年程度）毎に主要部品の交換等のメンテナンスが必要となります。このため、今期以降、レーザ装置のメンテナンス需要の拡大が予想されております。
これまでは、供直事業所において、新規レーザ装置の製造およびメンテナンス業務の両方を行ってまいりました。今後は、十分なメンテナンス需要に対応する供給拠点をBCPの観点から、メンテナンス業務を山梨第4工場にて行うことといたします。なお、今回の第4工場稼働（第1期工事）により、新規レーザとメンテナンスを合わせたレーザ装置の総生産能力は従来の約2倍となります。
竣工後、設備の導入を行い、2023年8月頃の本格稼働を予定しております。

【第4工場（第1期工事）概要】

位 所	山梨県北杜市武川町
敷 地 面 積	11,889.57 m ² （隣接する既存工場を含む）
建 築 面 積	1,799.27 m ²

Our press release dated March 31, 2023

Factory No. 4



Purpose: Maintenance of laser systems

Factory No. 5



Purpose: Development of technology for mass-producing SiC single-crystal

At the end of March, we completed construction of factories No. 4 and No. 5 to promote business expansion.

Factory No. 4 will be a mass production plant to meet maintenance demands in the Semiconductor business, and Factory No. 5 will be a plant for developing mass production technology for power silicon carbide (SiC) semiconductors.

Support for academic startups

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FY2023 Financial Results

FY2024 Forecasts

- We will support the social implementation of research results by putting management expertise back into startups originating from the National Institute for Materials Science (NIMS).



OXIDE Corporation press release, March 24, 2023



We signed a memorandum of understanding with the National Institute for Materials Science (NIMS).

We will support social implementation of research results by returning the management expertise we have cultivated over the years in the deep-tech field.

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Next, let's take a look at the forecasts for the fiscal year ending February 29, 2024.

Financial forecasts (Non-consolidated) for FY2024

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FY2024 Forecasts

- We expect a 26.8% increase in net sales, a 26.8% increase in operating profit, and a 37.4% increase in ordinary profit.

(Million yen)

	FY2/23					FY2/24	YoY
		1Q	2Q	3Q	4Q		
Net sales	5,752	1,315	1,718	2,011	2,250	7,294	+26.8%
Gross profit	2,279	368	650	788	971	2,777	+21.8%
SG&A	1,742	582	506	518	490	2,095	+20.3%
Of which, R&D expense	675	243	196	205	170	813	+20.5%
Operating profit	537	-214	144	270	481	681	+26.8%
Non-operating income/loss	150	85	-9	176	11	263	+74.9%
Ordinary profit	687	-129	135	446	492	945	+37.4%
Total depreciation and amortization	356	107	122	139	147	514	+44.3%

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First up are the non-consolidated forecasts.

We expect net sales of 7,294 million yen, up 26.8% from the previous year; operating profit of 681 million yen, up 26.8% from the previous year; and ordinary profit of 945 million yen, up 37.4% from the previous year.

These forecasts are weighted toward the second half of the year, and sales are expected to increase due to the expansion of the Yokohama manufacturing facility and the start of operations at Factory No. 4 in the Semiconductor business.

Financial forecasts (Consolidated) for FY2024

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FY2023 Financial Results

FY2024 Forecasts

■ Profit and loss from Raicol are included from 2Q. Operating profit is concentrated in 2H.

(Million yen)

	1Q (Non- consolidated)	2Q (Consolidated)	3Q (Consolidated)	4Q (Consolidated)	FY2/24 (Consolidated)	Reference: FY2/23 (Non- consolidated)
Net sales	1,315	2,183	2,527	2,745	8,773	5,752
Gross profit	385	890	1,053	1,222	3,554	2,279
SG&A	576	655	693	679	2,603	1,742
Of which, R&D expense	242	256	289	252	1,039	675
Additional expenses associated with consolidation*	38	145	145	147	476	—
Operating profit	-229	90	215	395	471	537
Non-operating income/loss	68	-34	158	-11	181	150
Ordinary profit	-161	56	373	384	652	687

Calculated based on an exchange rate of 130 yen to the dollar and 37.7 yen to the new shekel.

* Additional costs associated with consolidation include amortization of goodwill (206 million yen), stock compensation expense (158 million yen), PMI-related expenses (68 million yen), and differences in accounting standards (43 million yen).

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Next are the consolidated forecasts.

We expect net sales of 8,773 million yen, operating profit of 471 million yen, and ordinary profit of 652 million yen.

Raicol's statement of income will be included in the consolidated results starting in the second quarter.

Additional expenses of 476 million yen have been recorded in relation to the consolidation this year.

The breakdown is 206 million yen in amortization of goodwill, 158 million yen in stock compensation expense, 68 million yen in PMI-related expenses, and 43 million yen in adjustments for differences in accounting standards.

As for quarterly operating profit, we expect it to be weighted toward the second half, starting out at a 229 million yen loss in the first quarter, but increasing to a positive 395 million yen in the fourth quarter.

Next, let's turn our attention to the Medium-Term Management Plan.

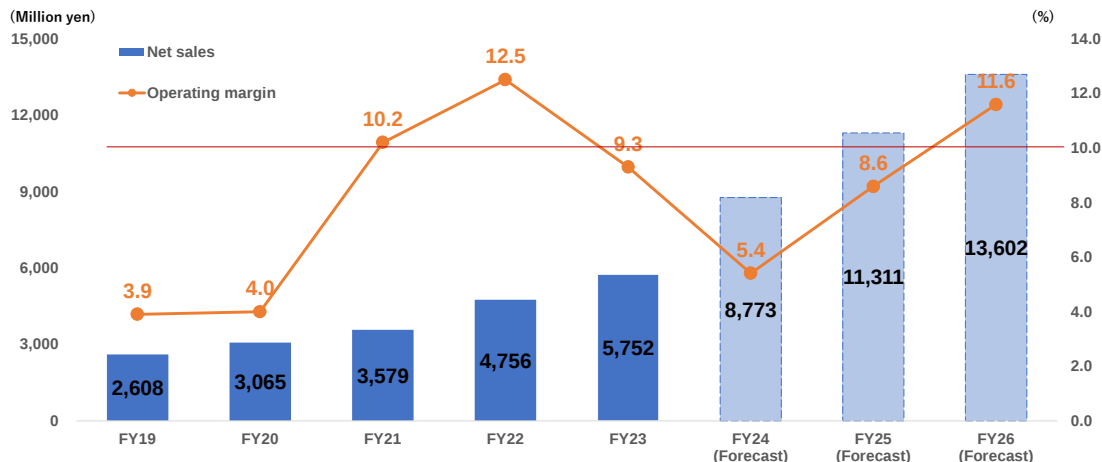
Medium-Term (FY2024-FY2026) Management Plan (Consolidated)

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FY2023 Financial Results

FY2024 Forecasts

■ We expect a substantial increase in sales (record high) in FY2/24.
The operating margin for the current fiscal year will decline due to M&A-related expenses, but we plan to achieve an operating margin in excess of 10% in FY2/26.



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Our Medium-Term Management Plan was not included in our disclosures before, but we felt it would be beneficial to our shareholders and investors to present a three-year medium-term management plan that reflects the acquisition of Raicol.

We expect a substantial increase in net sales putting us at a record high in the fiscal year ending February 29, 2024.

The operating margin will decline due to M&A-related expenses, but we plan to achieve an operating margin in excess of 10% in the fiscal year ending February 28, 2026.

[Semiconductor] Net sales forecast (Consolidated)

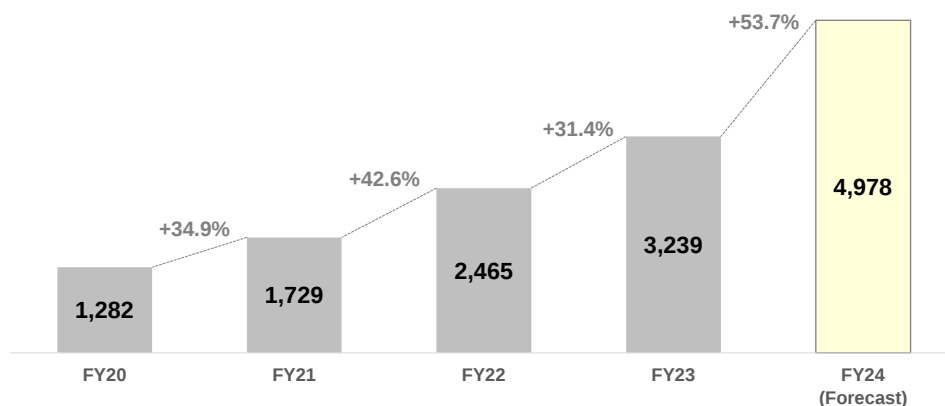
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FY2023 Financial Results

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■ In addition to the increase in production capacity with Factory No. 4, the carry-over from the previous fiscal year will also contribute to the forecast of a 53.7% increase in net sales.

(Million yen)



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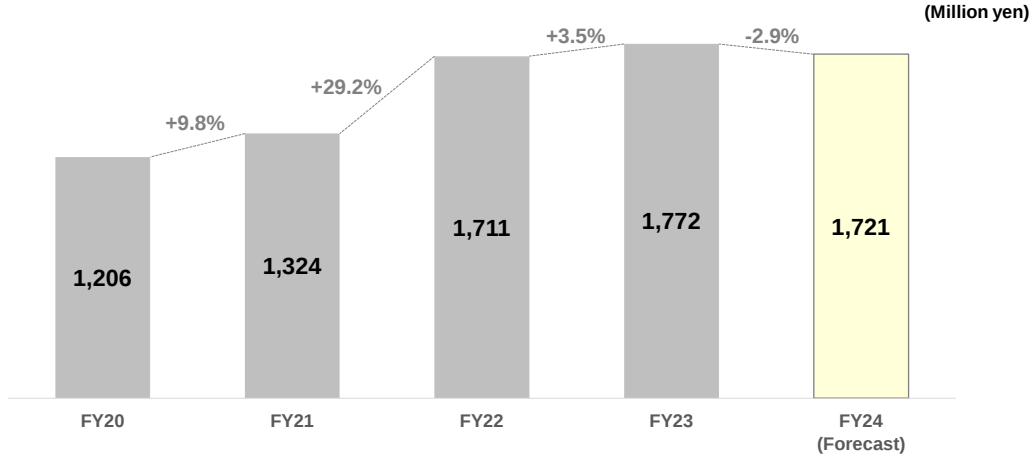
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Next, let's take a look at the forecasts by business.

The addition of Factory No. 4 will increase production capacity of the Semiconductor business. This will also allow us to meet the continued strong demand for new lasers and increasing demand for maintenance. Furthermore, the portion carried over from the previous fiscal year will also contribute to the forecast, resulting in net sales of 4,978 million yen, up 53.7% from the previous year.

[Healthcare] Net sales forecast (Consolidated)

■ Sales of PET scanners for cancer diagnosis are expected to decline by 20% due primarily to the slowdown of the U.S. economy. On the other hand, sales of PET scanners for Alzheimer’s disease diagnosis are expected to increase, making the overall decline minor.



In the Healthcare business, sales of PET scanning machines for cancer diagnosis are expected to decline by 20% due to the global economic slowdown. On the other hand, sales of PET scanning machines for Alzheimer’s disease diagnosis are on the rise, so we expect overall net sales to be down just 2.9% to 1,721 million yen.

[Frontier Technology] Net sales forecast (Consolidated)

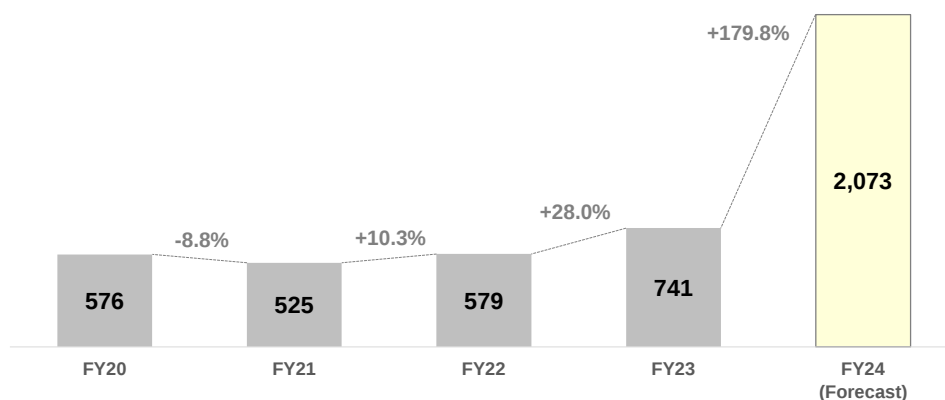
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FY2023 Financial Results

FY2024 Forecasts

■ Net sales will increase 179.8% in FY2/24 now that Raicol is a subsidiary.

(Million yen)



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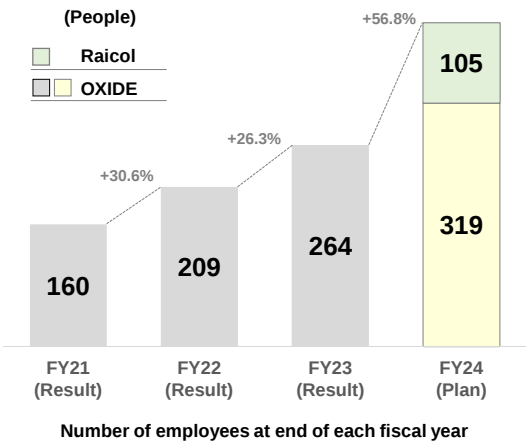
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In regard to the Optical Measurement & Frontier Technology business, we changed the name to the Frontier Technology business based on the fact that it includes more and more non-measurement fields of application.

We expect sales in the Frontier Technology business to increase by 179.8% to 2,073 million yen. We expect a significant increase in net sales this fiscal year as a result of making Raicol a subsidiary.

Other plans [Personnel] (Consolidated)

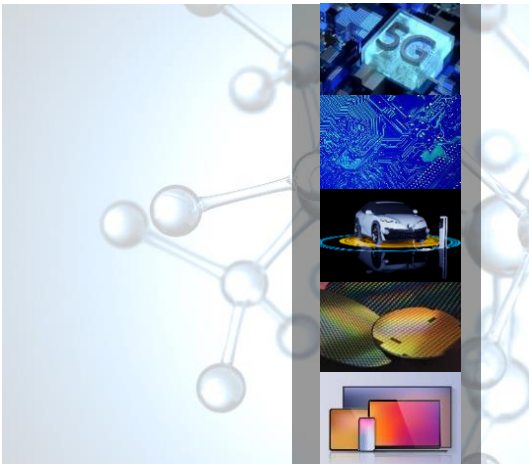
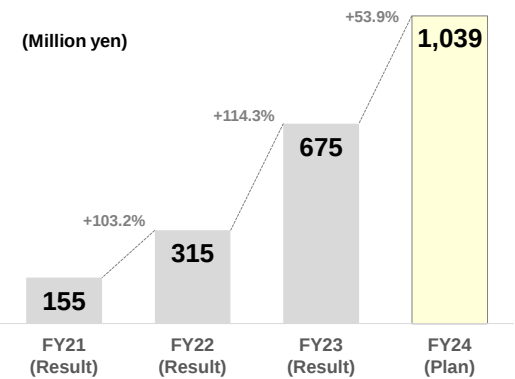
■ We plan to increase personnel by 65 people. We will increase personnel in the Semiconductor business.



We plan to increase personnel by 65 people. Most of these will be assigned to the Semiconductor business.

Other plans [R&D expense] (Consolidated)

■ In FY2/24, we plan to spend 1,039 million yen on R&D.

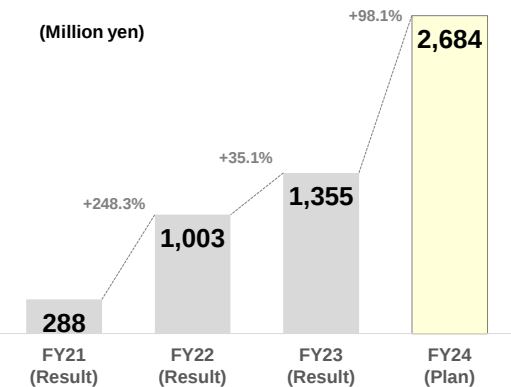


This year, we plan to spend 1,039 million yen on R&D.

Continuing our efforts from the previous year, we will focus on accelerating development of power semiconductors.

Other plans [Capital investment expense] (Consolidated)

■ In FY2/24, we plan to spend 2,684 million yen on capital investments.



We plan capital investment of 2,684 million yen.

It will mostly be allocated to mass production equipment at factories No. 4 and No. 5.



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Semiconductors

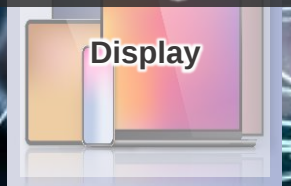


Medical



Power
semiconductors

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



Display



Automated
driving



5G