

Translation

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For Immediate Release

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Q & A session of the Financial Results Meeting for the Nine Months Ended November 30, 2024

OXIDE Corporation held a financial result briefing for analysts and institutional investors yesterday (January 15, 2025). The following is a summary of the responses to the main questions asked by those in attendance. To promote clarity, some additions and corrections have been made to the original transcript and are included in this summary.

Q. You mentioned that the cause of the impairment of Raicol goodwill was the discrepancy between the original forecast at the time of acquisition and the actual results. Can the goodwill impairment be avoided if the Raicol business performance recovers in the future?

A. Discrepancy from the original forecast of Raicol revenue and operating income (loss) occurred due to the slowdown in orders from some customers since the Israeli conflict, the occurrence of trade restrictions with countries neighboring Israel, and product switching in response to growing supply chain concerns about Israeli products at some customers. The future of the Israeli conflict remains uncertain. Even if a cease-fire is reached, it remains to be seen whether Raicol performance will recover quickly. Considering these factors, we believe it is appropriate to be conservative in our future forecasts.

OXIDE

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.

Raicol Sales Trends (Unit : M USD)

Year	Sales (M USD)
2020	7.7
2021	9.0
2022	11.7
2023	12.9
2024	10.0

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Q. The share price is almost 50% of what it was before the MS Warrant was disclosed, and almost no funds were raised, so what did you want to do with this MS Warrant in the end? I can only think that it was a measure taken to lower the share price.

A. We issued the MS Warrants in last August as a means of raising funds for medium- to long-term growth, after comparing and considering multiple fund-raising methods at the time of issuance, including a public offering and additional borrowings.

At the time of issuance, it was very difficult to determine the progress of full-year business performance due to uncertainties in the Israeli situation, the degree of recovery in the Semiconductor business, and other factors. Therefore, it was practically difficult to choose between a public offering and a third-party allotment, and we decided that MS warrants were the best option.

Based on market trends and changes in the business environment after the issuance, we reviewed the overall amount of research and development expenses and considered alternative means of fundraising. In addition, we decided to acquire and cancel the MS Warrants, taking into consideration the need to avoid further dilution.

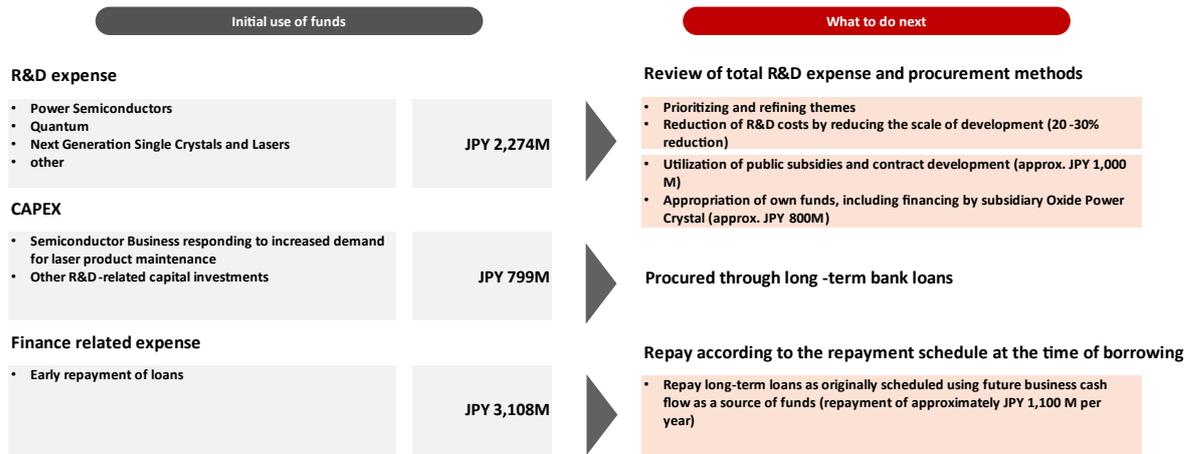
We understand that the current stock price situation may be a cause of concern for our shareholders. As the management team, we are committed to working towards business recovery and enhancing the overall corporate value of OXIDE, thereby fulfilling our responsibility to our shareholders.

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.



- Q. I have invested in OXIDE with expectations for its growth potential, but I am disappointed with the consecutive losses over the past two years, the impairment, and the decline in stock price. I believe future growth is crucial, but the materials on Frontier Tech, specifically "Evolving R&D Themes," are not sufficient to fully understand the situation. Could you provide a more detailed explanation?
- A. We have been working on the commercialization of four research and development themes in Frontier Tech, as mentioned in the Supplementary Explanation Material for FY2025 Feb 3Q Financial Results, in addition to our existing businesses such as Semiconductor and Healthcare. Each of these themes is in a field where future market expansion is expected, and where we can leverage our competitive advantages. Let us introduce each theme one by one.

Advanced Optical Measurement: Deep Ultraviolet Laser

The Institute for Solid State Science, the University of Tokyo has developed a new type of electron microscope called a laser photoelectron microscope. Unlike conventional scanning electron microscopes, which scan electron beams, the laser photoelectron microscope irradiates the entire wafer surface with deep ultraviolet laser light and records the resulting electron image all at once, enabling significantly faster inspections. Furthermore, in the Semiconductor lithography process, it allows for "latent image imaging," which inspects circuit patterns exposed on the resist before development, contributing to the acceleration of process development. Our deep ultraviolet laser is used in this research conducted by the Institute for Solid State Science, the University of Tokyo.

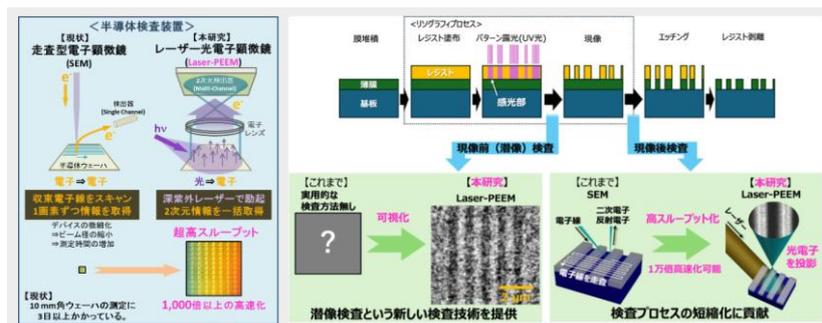
In November of last year, Hitachi High-Tech Corporation and the University of Tokyo announced that they would promote joint research aimed at the practical application of the aforementioned microscope in the Semiconductor field. This technology, which enables circuit pattern inspection in Semiconductor processes at speeds more than 1,000 times faster, is expected to see significant demand in the future.

Frontier Tech

Advanced Optical Measurement: Deep Ultraviolet Laser

OXIDE

- The Institute for Solid State Physics at the University of Tokyo has developed a new electron microscope called a laser photo electron microscope. This enables "latent image imaging" to inspect circuit pattern defects before development. Our deep ultraviolet lasers (wavelengths of 257.5 nm and 266 nm). ※1
- It was announced on November 14, 2024 that Hitachi High -Technologies Corporation and the University of Tokyo will promote joint research for the practical application of the above microscopes in the semiconductor field. ※2
- Since this microscope can speed up the inspection of circuit patterns in the semiconductor process by a factor of 1,000 or more, it is expected to be in great demand in the future.



※1 Source: [Press release from the Institute for Solid State Science, The University of Tokyo](#)
 Copyright: 2025 OXIDE Corporation. All Rights Reserved. ※2 Source: [Press Release from Hitachi HighTech](#)

Quantum: Quantum Entangled Photon Source Module

Research and development for the next-generation quantum internet is progressing, primarily led by domestic university research institutions and LQUOM, Inc.. In response to customer needs, OXIDE is advancing the development of higher value-added products, transitioning from crystals and devices to modules, and is developing and selling key components.

Based on requests from leading researchers in the quantum communication field, we have developed a wavelength conversion module capable of efficiently generating quantum-entangled photon pairs. We have now begun offering this as a highly practical product.

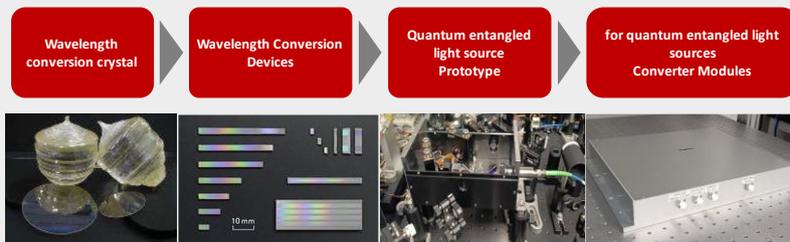
Frontier Tech

Quantum: Modules for quantum entangled light sources

OXIDE

- Research and development of the next-generation quantum internet is progressing, mainly at university research institutes and LQUOM in Japan.
- We develop and sell key components to meet the needs of our customers. We are developing products with higher added value, from crystals and devices to modules.
- Based on requests from cutting-edge researchers in the field of quantum communication, we have developed a wavelength conversion module (converter module) that can generate entangled photon pairs with high efficiency, and have started selling it as a highly practical product.

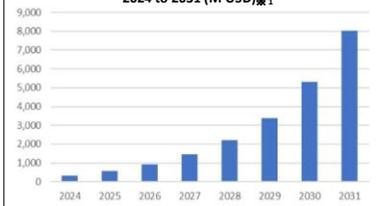
Our Products



Macro Environment

The quantum communication systems market is expected to be worth \$8 billion in 2031.

Total Market for Quantum Networking Systems, 2024 to 2031 (M USD)^{※1}



Power Semiconductors: Solution-Process SiC and Gallium Oxide

On December 1 of last year, we transferred OXIDE SiC business to our subsidiary, OXIDE Power Crystal Corporation, through an absorption-type company split, and the business has since commenced operations. Additionally, at SEMICON Japan held in December last year, we exhibited a 6-inch p-type SiC wafer grown using the solution method and a 4-inch Gallium Oxide wafer grown using the Bridgman method. Both crystals are gaining attention as next-generation power Semiconductor materials.

Regarding SiC, we have successfully resolved the inclusion issues that were previously considered challenging for the solution method, achieving the growth of high-quality, high-performance single crystals. We are currently preparing to ship samples to key customers.

Frontier Tech

Power Semiconductors: Solution method

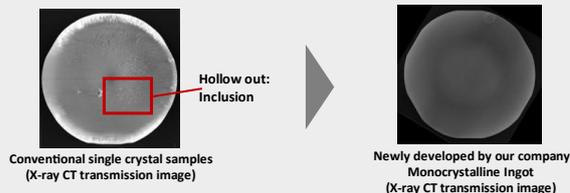
SiC, Gallium Oxide

OXIDE

- On December 1, 2024, we absorbed and split OXIDE's SiC business into our subsidiary, OXIDE Power Crystal Corporation(OPC), and started business.
- We exhibited solution-based SiC wafers and gallium oxide wafers at SEMICON Japan.
- We have succeeded in developing an inclusion-free^{※1} sample, which is important for the realization of high-quality, high-performance solution SiC wafers.

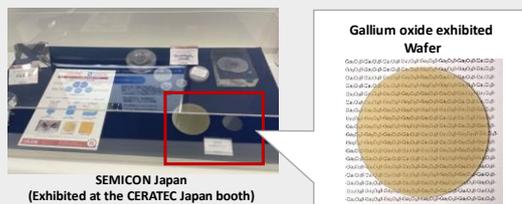
Solution method: P-type SiC

- Inclusion-free was achieved throughout the entire 6-inch diameter ingot.



VB method Gallium oxide

- We have successfully cultivated 4-inch crack-free ingots and made samples of 4-inch wafers.



Market Forecasts

The SiC power device market is expected to grow at a CAGR of 19% from JPY 387B in 2023 to JPY 3,151B by 2035. ^{※2}

The gallium oxide power device market is expected to grow from JPY 0.6B in 2024 to JPY 39.5B by 2035. ^{※2}

^{※1} Inclusions in a single crystal can disrupt the purity and structure of the crystal and cause a decline in quality and reliability.

Optical Components: Faraday Rotator

A Faraday rotator is an optical device that utilizes the "Faraday effect," which rotates the polarization plane of light under the influence of a magnetic field. It is used as a core component in optical isolators and optical circulators, playing a crucial role in improving the stability and efficiency of optical systems.

Demand for Faraday rotators is expanding in fields such as optical communications, laser technology, medical applications, aerospace, and defense. In particular, the increasing data traffic driven by the proliferation of 5G communications, cloud services, and AI, along with the rapid growth of data centers, is fueling this demand.

OXIDE group develops, manufactures, and sells single crystals and optical devices utilized across various fields.

Frontier Tech

Optical Components: Faraday Rotator

OXIDE

- A Faraday rotor is an optical device that uses the "Faraday effect" to rotate the plane of polarization of light under the influence of a magnetic field.
- It is used as a core component of optical isolators and optical circulators, and plays an important role in improving the stability and efficiency of optical systems.
- Demand is growing in fields such as optical communications, laser technology, medical, aerospace and defense. In particular, the demand is growing on the back of the proliferation of data centers due to the increase in data traffic due to the spread of 5G communications, cloud services, and AI.
- OXIDE Group develops, manufactures, and sells single crystals and optical devices used in various fields.

Single Crystals for our Faraday Rotators



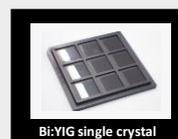
TGG Single Crystal



YIG Single Crystal



TSAG monocrystalline



Bi:YIG single crystal

Market size

The Faraday rotator market is expected to grow at a CAGR of 7.2% from \$800 million in 2023 and will be It is expected to be \$1.5 billion. ※1

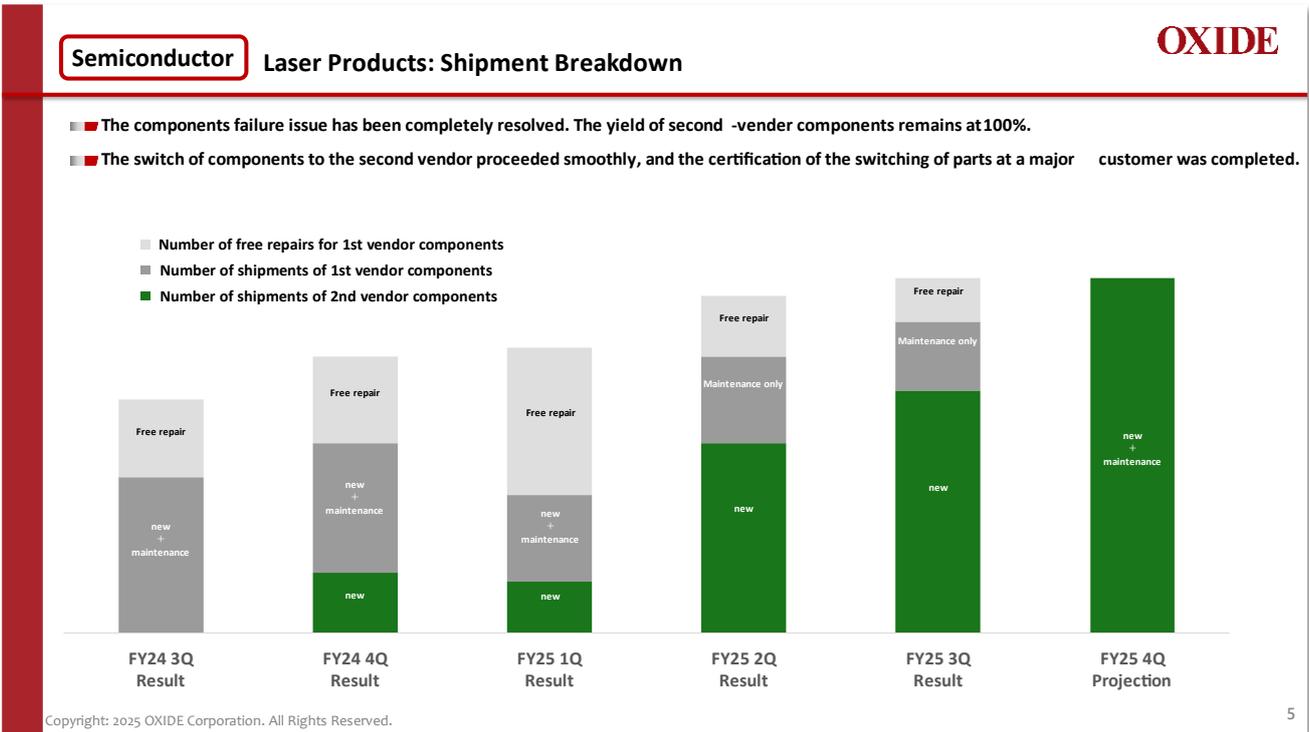
• Major companies: Thorlabs, Newport, Coherent, Gooch & Housego, etc.

Q. Can you disclose the new order received and order backlog for the Semiconductor business in the third quarter?

A. Regarding new order received, we do not receive a consistent amount of orders on a monthly basis. Therefore, we continuously monitor new order received over a half-year period. Until the second quarter, due to issues related to component defect, we disclosed new order received on a quarterly basis. However, moving forward, we will return to our standard practice of disclosing this information on a half-year basis.

Q. I understand that free repairs in the Semiconductor business have been decreasing. Moving forward, I expect an increase in demand for paid maintenance services. Could you provide insights into the demand trends?

A. As indicated in the disclosure materials, free repairs are expected to be eliminated starting from the fourth quarter, with an anticipated increase in paid maintenance services. This information will be disclosed in the full-year financial results.



- Q. I believe it is good news that a new major customer has been acquired in the Healthcare business. Will the revenue from this new major customer surpass that of the existing major customers in the future?
- A. We are working to expand demand for the new major customer in the future. Additionally, we are striving to increase our market share with existing major customers. Through efforts with both new and existing customers, we aim to drive growth in the healthcare business.

Healthcare

Factors for winning a new customer

OXIDE

■ 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

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- Q. In the Healthcare business, we are looking forward to the development of the brain PET device market. Could you provide the latest market trends?
- A. There is ongoing interest in brain PET scanners for which future demand is anticipated. We are working jointly with our customers on the product development of brain PET scanners. We believe that the demand for our scintillator single crystals for brain PET scanners will fully materialize in a few years.

Q. Please provide information on Raicol revenue performance trends and future outlook.

A. Raicol revenue had been growing up until 2023; however, following the outbreak of the Israel conflict, revenue performance has deteriorated, with 2024 revenue declining by approximately 20% compared to 2023. As for the future outlook, there remains significant uncertainty regarding the resolution of the Israel conflict. Even if a ceasefire is achieved, careful assessment will be required to determine whether Raicol performance will recover quickly. Taking these factors into account, we believe it is prudent to adopt a conservative approach in forecasting future performance.

On the other hand, regarding the 2024 revenue forecast of USD 10M, we understand that there is still demand for Raicol crystals, even amidst the ongoing Israel conflict.

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Q. It was explained that prior reporting has been made to financial institutions regarding breaches of financial covenants. Could you provide details on the content of the covenants, the financial institutions affected by the breaches, and the responses from these institutions?

A. Due to Raicol goodwill impairment, it is expected that we will breach the net assets maintenance clause, which requires maintaining net assets at 75% or more of the balance at the end of the previous fiscal year. The affected financial institutions include five banks: two regional banks, one government-affiliated financial institution, and two megabanks. We have explained the situation to each financial institution, including the goodwill impairment for Raicol caused by the situation in Israel, as well as the current status of our existing Semiconductor and Healthcare businesses, and we have gained their understanding. We believe that we will continue to receive their support as we have in the past.

