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OXIDE Corporation
Masayuki Yamamoto,
President (COO & CFO)

OXIDE Corporation 25th Annual General Meeting of Shareholders Q&A

OXIDE Corporation (Head Office: 1747- 1, Maginohara, Mukawa-cho, Hokuto City, Yamanashi, President: Masayuki Yamamoto) held its 25th Annual General Meeting of Shareholders on May 29, 2025. The following is a transcript of the responses to questions from attendees.

The 25th Annual General Meeting of Shareholders

Date & Time: Thursday, May 29, 2025 10:00 - 11:45

Location: 7th Floor, Large conference room, Yokohama Business Park West Tower,
134, Godo-cho, Hodogaya-ku, Yokohama, Kanagawa, Japan

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Q&A Session 1: Status of Raicol

Q: I've heard that Raicol is facing challenges due to the situation in the Middle East. Could you explain more specifically what those challenges are? Is the issue related to customer inquiries, or is it more about the resources needed to operate the business? Please tell us how the situation will improve, or if it will get worse, or if it will improve.

A:

Yamamoto: I believe a multifaceted explanation is necessary. First, regarding your question about customer inquiries: in the immediate aftermath of the conflict that began in Israel in October 2023, we saw almost no impact on inquiries. However, as the conflict has become more protracted, some companies and some countries have begun to refrain from procurement from the parties to the conflict, which has affected inquiries. This trend has gradually become apparent since the previous fiscal year, and we recognize that Raicol's overall sales and performance are lower than we had expected at the time of acquisition.

Next, I would like to answer your question regarding business operations. In Israel, conscription is mandatory for both men and women, and when called up, they must immediately enlist in the army. At the time, Raicol had 100 employees, and it was a very difficult situation for the company, as about 15 of them had to enlist the next day. However, three months later, about 10 of those employees returned to work, and six months later, all of them returned to work, and business operations themselves have remained largely unaffected.

Ben Gurion International Airport lies east of Tel Aviv, the commercial capital, and Raicol is situated even further east. Perhaps because Israel's air defense system is functioning so well, there has been virtually no warlike situation. However, nowadays, as some reports of drones and other aircraft flying over the area indicate, there is no conflict in the vicinity, but it has not affected production activities.

As for personnel exchanges with Raicol, unfortunately, it is currently difficult for OXIDE staff to travel to Israel. We are considering how we can make the best use of Raicol's production and development functions, and how we can deal with the situation as a whole. We are also considering how we can make the best use of Raicol's production and development capabilities.

Furukawa: Since I understand that many of you may be concerned about the situation at Raicol, let me provide some additional explanation. As Yamamoto explained earlier, the 15 reservists were not actually engaged in combat, but rather provided logistical support by delivering food and supplies to areas where combat was taking place and treating injured people, etc. No Raicol employees were injured, and all returned to work without incident. There have been subsequent employees called up to serve in the reserves, but production activities have not been affected.

However, as Yamamoto explained earlier, the conflict has indeed affected customer inquiries. There are important Raicol customers in certain countries, such as Turkey, France, and Sweden, but there are also companies that have a policy of not buying things from Israel. Therefore, in terms of production, we are continuing without any problems, but in terms of inquiries, some orders have been cancelled. On the other hand, there has been an increase in inquiries from the U.S. and China, but since there is growing criticism of Israel in Europe as a whole, we are watching Raicol's

sales very conservatively this fiscal year. In addition, about half of Raicol's sales are to Aerospace & Defense. At the beginning of the conflict in the Middle East, there was a movement to increase related sales, but some companies do not purchase from Israel for the reasons mentioned earlier, so demand is not increasing that much even for defense applications.

We would also like to answer your question about the status of Raicol's R&D activities. Leading-edge American technology companies such as Microsoft, Google, Intel, Apple, and KLA have established R&D facilities in Israel, contributing significantly to the development of the country's high-tech industry. In Japan, Sony and other companies also have R&D facilities in Israel. R&D in quite advanced fields such as Semiconductors and Quantum is being conducted in Israel. Our company is also engaged in quantum-related R&D at Raicol. We see collaboration with Raicol as an important strategy for creating new innovations and accelerating global expansion, as it provides us with access to customer information that is difficult to obtain in Japan.

Q: Thank you very much. What you just said made me feel that Raicol has the technology and the potential. However, when I look at the situation in the region of Israel, I understand that it is difficult to grow sales. I know it is not easy, but is it possible, for example, for your company to stand outside of the situation and bring Raicol's products and technology to customers?

A:

Furukawa: Raicol's main products are optical crystals used in lasers. However, since they already have established long-term relationships with their customers, it would be difficult in practice to shift the point of contact to the Japanese side right away. Therefore, until the situation in Israel settles down, inquiries from customers of Raicol itself may continue to be weak. As for measures we are taking, we are not sure how long the conflict will continue, so we have relocated nearly 20% of Raicol's crystal production facilities to Japan and established a system that will enable us to manufacture in Japan. Under the current situation where inquiries are sluggish, we are not aggressively pursuing production in Japan and shipping to other countries, but we are considering various backup plans in anticipation of various situations.

Q&A Session 2: Recruitment and Human Resource Development Initiatives

Q: In the section on issues to be addressed, in terms of "hiring and training talented people," I think it was explained in the video, but I think it is a very big issue considering the future trend of Japan's population. Recently, the starting salary for new graduates has increased considerably, and this has been the subject of much discussion, but I don't think there was much discussion or explanation of the initiatives related to recruitment. Please explain how your company is devising ways to do this, or what kind of initiatives you are making, such as hiring overseas personnel.

A:

Yamamoto:

First of all, regarding recruitment: since our IPO, we've benefited from the fact that there are relatively few listed companies in Yamanashi Prefecture, which has worked in our favor when hiring new graduates locally. For example, we have many excellent graduates from local technical high schools and colleges of technology who have joined our

company and who will be very important on-site workers. At the same time, it is very important to recruit human resources to support cutting-edge technologies. In this regard, we are devising various ways to effectively approach university and graduate school students who are interested in OXIDE's business and whose fields of expertise match ours. We have a number of recruiting websites dedicated to the fields of science and engineering, and we believe that getting the word out about our company to these people as quickly as possible and having them actually come to us has contributed greatly to our recruiting efforts. For example, in our laser development team, young engineers in their 20s and 30s are actually creating new lasers that do not yet exist in the world. Seeing such a realistic development site, people seem to feel that they can do what they really want to do here.

In addition to these steady efforts, as I mentioned earlier, raising awareness of our company is also crucial. We have established relationships with external professors and people in their laboratories, and have participated in a considerable number of academic conferences and exhibitions, both in Japan and abroad. By making regular contact with these people, we have been able to help them choose our company even if they turned down job offers from major companies.

Fujiura: Talented human resources are the core of our development capabilities, so we are placing strong emphasis on recruiting top students. As we mentioned earlier, students have recently been registering their own information on the recruitment website as part of their job hunting activities, so that we can check each student's expertise and information on research and development they would like to work on in the future. We, including the board members, check this information frequently to obtain information on students who have the abilities and aspirations we are looking for, and then we approach them and conduct other steady recruitment activities. We invite those who are interested to company tours and internships so that they can understand how we promote R&D. As a result, excellent students are joining our company, and our development capability, especially in the laser business, is improving. We have been able to hire a large percentage of doctors from the science and engineering faculties of former imperial universities.

I believe students' mindsets have been shifting in recent years. We are seeing an increasing number of talented individuals who ultimately choose OXIDE despite having multiple job offers from major companies. One of the reasons for this is that "at OXIDE, there is a high possibility that I can do what I want to do." They want to work on what they want to do and develop their abilities while they are young, and they say things like, "It's not easy to do that at a major company." I think that the current students' aspirations may be shifting from a focus on big companies to pursuing what they really want to do. This is especially true for those who are talented and confident, and I believe that OXIDE's commitment to developing cutting-edge technology may be communicated to such students. Since these efforts are showing concrete results in terms of recruitment, I believe that continuing these efforts will lead us in the right direction.

Furukawa: Two years ago, we raised the salary level. The starting salary for new university graduates used to be 220,000 yen, 240,000 yen for master's degree graduates, and 300,000 yen for doctoral degree graduates, but we raised them all by 30,000 yen. I think this is probably a high level in Yamanashi Prefecture. However, while some large companies offer starting salaries of over 300,000 yen for university graduates, we believe it's difficult to match that immediately, as we cannot raise salaries for new hires alone. However, looking at students these days, it seems that they are not choosing companies based on compensation alone, but rather on what they want to do. In the past few

years, we have seen an increase in the number of students who have received offers of employment from major companies but have turned them down to join OXIDE, so we believe that the situation is changing.

As for hiring overseas personnel, we have not directly hired a doctoral student who graduated from an overseas university, but we have had cases where a doctoral student joined OXIDE after gaining experience in an overseas company or research institute. We have had results of people joining OXIDE after gaining experience in Korea and France. Overall, I feel that after going public, we have gained considerable recognition and are now in a situation where we can recruit excellent human resources.

Q&A Session 3: Stock Price

Q: As you mentioned, I also invested in your company because I think your technology is great, but I have three questions. The first is about the MS Warrant that you implemented last year. After my investment, the stock price declined, which was concerning. Could you explain the reasons behind the stock price decline? My second question concerns the recent sudden increase in your stock price — could you explain what drove this sharp rise? My third question is, you explained on the slide about the outlook for future business, but could you tell us about the outlook for the stock price in the future? Of course, the market determines this stock price, and I know it is difficult for the company to comment, but please tell us what you think.

A:

Yamamoto: First, regarding the connection between the MS Warrants we announced last year and the subsequent decline in our stock price. When we disclosed the MS Warrant last August, we were in the midst of a historic decline in stock prices. As a result, we had to revise what we had planned when we disclosed the MS Warrant. It is difficult to sort out how this affected the share price, but we recognize that there was no lack of impact. For our part, if we were able to raise the planned funds through the MS Warrants, we wanted to use them to carry out initiatives aimed at growth and increasing corporate value, such as research and development and capital investment, as I have just mentioned.

The second point is the price increase over the past few days. We have been keeping a close eye on stock prices, not only in the recent past, and have been interviewing securities companies and market participants from time to time. Based on their comments, it appears that investors are shifting their interest from large-cap stocks to small- and mid-cap stocks, such as our company's portfolio, as the stock market itself is relatively calm. Furthermore, we suspect that investors' interest in our company's stock is growing in the semiconductor and quantum-related sectors, which are currently the focus of much attention. Although we do not engage in stock trading ourselves, we have received these insights from securities companies and market participants.

Third, as you mentioned, we do not control the stock price. Our focus is on improving our business performance to increase profit, and conducting operations in a way that inspires confidence in our future growth. We have begun various internal efforts to achieve our business results for FY2026 Feb, and we believe it is even more important to achieve our Mid-term management targets for FY2029 Feb, and to make a solid footstep toward achieving these targets. We have begun to implement a number of internal initiatives to achieve these goals. As for initiatives that can be expected to lead to future growth, of course, we did not go into the Semiconductor business because we expect it

to grow, nor did we get involved in the Quantum business because demand is expected to increase. In terms of where our technology can be used in the world and whether people will find value in OXIDE's technology, we believe that it is important for not only engineers but also administrative staff to gather information on what is needed to solve problems in the world and link this to our business.

Furukawa: I would like to briefly supplement the growth business that OXIDE is aiming for. Since our founding, we have always focused on the field of optical applications. Within this field of optical applications, our current business is centered on Semiconductors and Healthcare. In addition to these, it will continue to be extremely important for us to be able to respond quickly to the growing market in the optical field. OXIDE Corporation was founded in 2000 to contribute to the world with its crystal and optical technologies. When light is injected into OXIDE crystals manufactured by OXIDE, it is possible to change the direction of the light, change the color of the light, and add electrical signals to the light, enabling the crystals to manipulate the light at will. OXIDE has the technology to produce a variety of crystals with these functions at high quality.

In fact, many Japanese companies were once engaged in R&D of optical crystals. At the time OXIDE was founded, many major consumer electronics manufacturers, such as Hitachi, Sony, Toshiba, and NEC, were conducting R&D, but they scaled back and withdrew due to the small scale of their business. The technologies of those major companies and the engineers who worked there gathered at OXIDE. If the 20th century was the age of electricity, the 21st century is the age of light.

I believe that the shareholders who invested in OXIDE in the early years of the company's foundation understood the potential of such future technologies even better than we did. Toshiba Ceramics, which first invested in OXIDE, NTT, KLA, Lasertec, Nikon, and Hitachi High-Technologies, all recognized the importance and potential of crystals and optical technology even more than we did. The manufacturers who had large businesses in that field firmly understood the importance of crystal and optical technology, and they invested in OXIDE. I understand that individual investors are also investing and supporting OXIDE because they are aware of the future potential of OXIDE.

For a more detailed explanation of quantum technology, we have Fujiura, a director who is a former researcher at NTT Laboratories, who would like to comment.

Fujiura: I'm involved in both the laser business and the quantum field, where crystals play a critical role in both. As mentioned earlier, OXIDE boasts a 95% share of the world market for wavelength conversion crystals used in Deep-UV Lasers for semiconductor wafer inspection equipment. One of the first reasons is that we have increased our share of lasers in the Semiconductor field by using such high-quality crystals to achieve high performance that cannot be achieved by other companies.

Another area of quantum that has been the topic of much discussion recently is technology that is very difficult to explain well. There are three main areas of recent quantum applications. One is quantum computing. This is something that is being talked about in many places. The second is quantum communications. The last is quantum sensing, which uses quantum technology to do various kinds of sensing. OXIDE's strength is its wavelength-converting crystals, which are necessary for the generation of quantum entangled light, which is now a hot topic in quantum communications and quantum computing. In analyzing the customers who have purchased these crystals from OXIDE, we have found that over the past few years, many of our crystals have been purchased by people who are working on quantum applications. I imagine that the generation of quantum entangled light is required in all three

quantum fields, and that OXIDE crystals have become indispensable. I believe that we can open up the field of quantum in the form of greater expansion here.

Among the three areas of quantum, many lasers are used in quantum computing. In quantum computing, qubits are used for computation, and since lasers with well-defined wavelengths are needed to control them, we are receiving an increasing number of inquiries and development requests for our lasers. This is done using the wavelength conversion technology I mentioned earlier. OXIDE's ability to produce specific light of high quality and high output by changing wavelengths is probably one of our specialties, and we are receiving attention from various people around the world. Our recent understanding is that OXIDE crystals, which were originally recognized by customers in the field of Semiconductor as I mentioned earlier, have become a strength in the field of Quantum Science as well and we are trying to further develop this strength.

Furukawa: I know the explanation of quantum from Fujiura is a bit difficult, as some of the words are not usually heard, but to put it simply, OXIDE's crystals are being used for research and development in the quantum field. The reason why we acquired Raicol is that Raicol's crystals are also being used in quantum research and development. So, although Raicol's current situation is difficult, we want to use OXIDE and Raicol's technology to acquire all the crystals needed in the quantum field. We wanted to acquire other technologies and companies besides Raicol, but the situation at Raicol was difficult, and we were not able to get financing for them. Considering future growth, we would like to actively pursue these acquisitions even if we have to take risks, but it is important to maintain financial balance now, so we are honestly thinking about what we should do. We would be very grateful if you could help us understand this point.

Yamamoto: I would like to apologize for the concerns that have been caused by the stock price. We suffered for about two years due to the problem of defective semiconductor components, but we have completely resolved the problem and have graduated from the company. We will make every effort to meet your expectations with regard to our new initiatives.

Q&A Session 4: About MS Warrants

Q: I agree that the timing of last year's financing announcement was unfortunate, given the overall conditions of the stock market. Of course it is true that it was inevitable, and I understand somewhat from what you have just said. I think that the decline in the stock price is more a common occurrence in the stock market than your company's responsibility, but what I am wondering is why you cancelled the MS warrants. Although your company's stock price fell amid the deterioration of the stock market as a whole, I think that the MS warrants themselves were a very reasonable financing. You can control the issue price and the number of warrants issued to Daiwa Securities, the underwriter of the MS Warrants. For example, the stock price has soared over the past few days, and you never know when the stock price will start to rise, so why didn't you leave the MS warrants in place? In other words, the next time we finance something again, it will have the same impact as last year's financing. So why did you cancel the MS warrants when it seemed like a rational and effective financing method? Also, why did you exercise at such a low price when you should have been able to control the exercise price? I was also a bit concerned about how the company communicated with the market during that time. I know it's not easy to talk about the background of the

situation, but I think it's an important point when looking at your company in the future.

A:

Yamamoto: Let me first explain why we decided to cancel the MS warrants. In the 3Q results of the previous fiscal year, we had to announce the cancellation of MS warrants as well as the impairment of Raicol's goodwill. In this context, we reviewed the use of funds and the procurement method for the business plan and other items that I have explained today. We have received a number of new grants for capital expenditure and R&D expenditure, which we have indicated as the use of the funds we have raised. Frankly speaking, one reason is that we were able to cover part of the costs through newly approved government grants.

In addition, since we had announced the impairment, unfortunately the stock price fell below the minimum exercise price of the MS Warrants, and we felt it was inappropriate to maintain a situation that could disrupt the supply-demand balance in the market. We discussed these issues comprehensively and decided that it would be better not to leave the situation as it was, and as a result of the final discussions at the Board of Directors meeting, we decided to withdraw the issue.

Uchida: Regarding your second question, Daiwa Securities, the allottee, has the right to exercise the stock, and unfortunately, we were not in a position to direct Daiwa Securities on when to exercise the warrants. We believe that Daiwa Securities exercised the right in a gradual manner based on the market share price trend and the trend of investors who will probably sell the shares after the exercise.

Q: Thank you. I still think that there is a lot of demand for funds itself, after listening to what you have been saying today all along. Even with the adoption of new grants, I think the amount of funds raised is a bit far from what you had envisioned with MS Warrant. I still think it is important to be able to invest in the necessary form at the necessary time. As a shareholder, I would not be happy if you announced a capital increase right now, but I think there is such a need for funds for your business that I think it would be better to do it now.

I also think that what you just told us is very much what we should expect for the future, and I think that it will happen that you will not be able to invest or do M&A because you do not have money at the right time when you need funds. It is too late to do anything about the MS warrant cancellation now, but I think that your company's communication with the market may have been a little poor. There are some areas where I feel a little uneasy in terms of the ability to dialogue. For example, the stock market does not necessarily perceive the impairment loss of Raicol as a negative impact, and since the company is listed on the stock exchange, I would like to see the company make good use of the market. I would appreciate it if you could do something about this dialogue with the market.

A:

Uchida: To be honest, we have carefully considered the point you raised earlier. We have a significant number of 1-on-1 meetings with institutional investors on a quarterly basis for a company of this size. We also receive comments from our individual shareholders. Among the feedback we receive on a daily basis, there are words of encouragement as well as some very critical comments. In particular, after the issuance of the MS warrants, we received a significant number of harsh opinions from many shareholders. Of course, there were those who understood the issuance and asked us to do our best to raise funds for future growth, but in the midst of such a situation, our board members gathered together every day and said, "In this market environment and taking into consideration our business situation,

we need to rebuild our financial balance and raise funds and accelerate our business. Whether we should step on the accelerator to restore our financial balance and raise funds to promote our business, and what would be the best solution to strike the right balance". We have reached the conclusion that it would be better for us to first solidify our footing and step on the accelerator for growth only after gaining the approval of shareholders and market participants, and we have decided to withdraw the proposal this time.

Yamamoto: In any case, for our part, we will continue to implement the business plan that we are currently working on, and as for the dialogue skills that you pointed out, we were listed on the stock exchange in April 2021, and it has been four years since then, but we are still lacking in some areas of experience. We are aware that we still lack experience in some areas. Under such circumstances, we would like to proceed so that you can continue to support our company in the future.

Q&A Session 5: Regional Revenue Breakdown

Q: In your explanation to the first question, you mentioned that there is an impact of inquiries from Europe, partly due to the conflict, but could you tell us the sales ratio of OXIDE by region?

A:

Yamamoto: Please refer to the description posted on the Company's website ([Items to be provided electronically upon the Notice of the 2025 Annual General Meeting of Shareholders](#)) on page 23.