

Translation

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For Immediate Release

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**Q & A session of the Financial Results Meeting for the Three Months Ended May 31, 2025**

OXIDE Corporation held a financial result briefing for analysts and institutional investors on July 16, 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. R&D expenditure exceeded the budget by JPY 127 M. Is this a new investment or due to accounting reasons? Please also explain the impact on the full-year expenditure plan.
- A. The increase in R&D expenditure is due to a revision in the accounting classification of expenses and does not represent an actual increase in costs. Specifically, expenses for the prototype phase of product development, initially expected to be recorded as manufacturing costs, have been reclassified as R&D expenditures for more accurate reflection. This revision will not impact the total expenses for the full year.
- While reducing R&D expenditure could be considered as a short-term measure to maximize profits, we believe that sustained investment in R&D is critical for achieving sustainable growth in the medium to long term. As a company engaged in cutting-edge technologies, we will continue to prioritize R&D activities while maintaining a sound financial position.

Q. The SiC industry is facing uncertainty due to factors like the EV market slowdown, Wolfspeed's civil rehabilitation, and the rise of Chinese companies. Additionally, JS Foundry, with which OXIDE announced a business alliance last year, filed for bankruptcy on July 14. Could you explain how this market environment might impact your SiC business and future strategy?

A. While the SiC industry is currently facing challenges such as a slowdown in the EV market, intensified price competition, and the bankruptcy filing of JS Foundry, our company has established a strong collaborative framework with multiple partners for SiC wafer processing and epitaxial processes. We do not anticipate any significant impact on our development schedule or financial position. Furthermore, there are no receivables or payables between JS Foundry and our company, and we do not anticipate any impact on our financial position or business plan.

In light of increasing geopolitical risks, such as China's tightening of rare earth export restrictions, establishing a stable supply chain for domestically produced SiC wafers has become a critical issue. Our solution-method SiC initiative addresses these challenges by enabling the entire process—from raw materials to crystal growth, processing, and epitaxial processes—to be completed domestically. This approach not only enhances economic security but also differentiates our products by targeting ultra-high voltage applications, such as direct current transmission and heavy electrical equipment, rather than the medium voltage range for EVs.

We will continue to leverage these strengths to achieve sustainable growth and medium- to long-term business development.

Q. Regarding the Healthcare business, at the previous financial results briefing, you explained that shipments to a leading manufacturer of high-performance PET are expected in the future. Could you please tell us about the current shipment status and the outlook for future sales expansion?

Additionally, it has been mentioned that the results for the first quarter of FY2026 February include items carried over from the previous fiscal year. Could you please provide a breakdown between the carried-over portion and the portion attributable to the first quarter?

A. We began shipments to a leading manufacturer of high-performance PET as planned in the first quarter, and our products have been well received. We plan to gradually increase shipment volumes in the second quarter and beyond, and we expect this to be a key driver of growth in our Healthcare business for the current fiscal year.

While the results for the first quarter include items carried over from the fourth quarter of the previous fiscal year, we do not disclose the specific breakdown of these items. We appreciate your understanding in this matter.

Q. I had understood that OXIDE is engaged in the quantum cryptography communication business. Recently, however, it has been featured in media such as Kabutan as a company dealing with quantum technology in general. Is there any connection with quantum computers as well?

A. Quantum technology is broadly categorized into three areas: quantum computing, quantum cryptography, and quantum sensing. Our company contributes to research and development in all three areas by providing frequency conversion devices, quantum light source modules, and laser light sources.

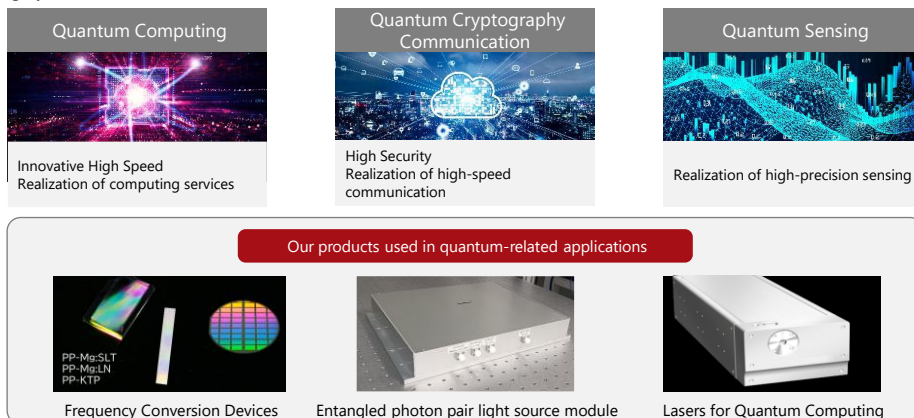
In particular, our expertise in high-quality single crystals and frequency conversion technology, which enables the generation of laser light across a broad wavelength range, is highly regarded globally. These technologies are essential for quantum computing, where stable, high-precision lasers are critical for error correction in methods such as the ion trap and neutral atom approaches.

Additionally, our technologies play a vital role in quantum cryptography and quantum sensing by enabling the efficient generation of entangled photon pairs and other specialized light sources. As a company supporting quantum technology through advanced optical solutions, we will continue to strengthen our presence in this growing field and expand our global market reach.

## Frontier Tech: OXIDE Technology Contributing to the Quantum Field

**OXIDE**

- Quantum technology is classified into three areas: "quantum computers," "quantum cryptography," and "quantum sensing."
- We contribute to research and development in all three areas by providing frequency conversion devices, quantum light source modules, and laser light sources.
- Our frequency conversion technology, which utilizes high-quality single crystals to generate laser light across a broad wavelength range, is highly acclaimed worldwide



One of the key challenges in the practical application of quantum computers is "error correction".

Two methods currently attracting attention for their superior error correction capabilities are the "ion trap method" and the "neutral atom method." In both methods, stable lasers with multiple wavelengths are indispensable, and the precision of the laser light significantly influences the reliability of quantum computing.

For example, to manipulate ions or atoms such as Yb (yttrium) or Rb (rubidium), high-precision lasers with specific wavelengths that these elements absorb are required. Our optical crystals and frequency conversion technology contribute to quantum computer research and development by stably supplying high-quality, multi-wavelength laser light.

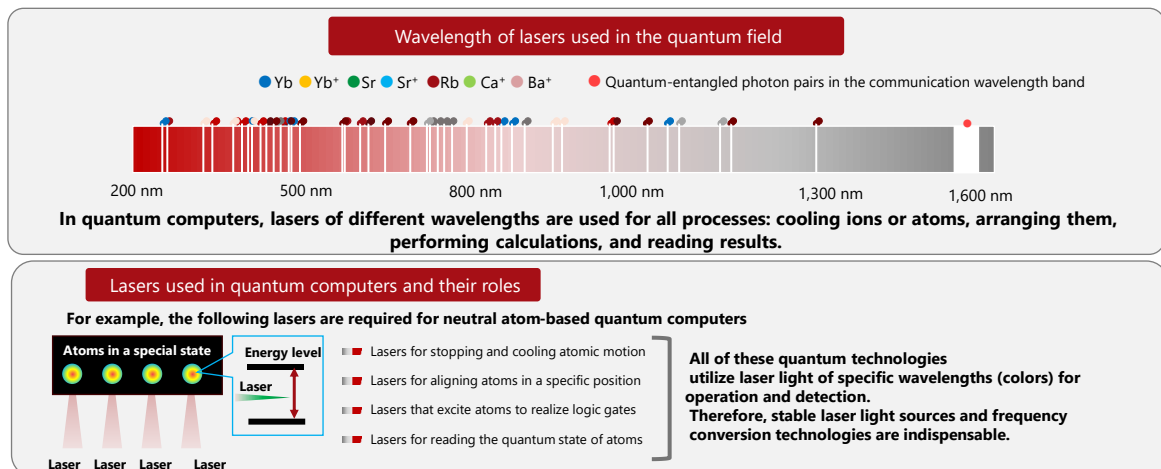
Furthermore, in the fields of quantum cryptography and quantum sensing, technologies for efficiently generating special types of light, such as entangled photon pairs, are essential, and our technologies are widely utilized in these areas.

As a specialized company supporting quantum technology through light, we will continue to strengthen our presence in this growing field and accelerate our global market expansion.

## Frontier Tech: OXIDE Technology Contributing to the Quantum Field

**OXIDE**

- ■ One of the key challenges in quantum computing is "error correction." Among the methods with excellent error correction capabilities, ion trap methods and neutral atom methods are attracting attention. Both methods utilize multiple lasers with high stability. Our frequency conversion technology enables the supply of these high-quality lasers.



Q. Regarding operating profit, we understand that the loss has narrowed and is improving. Could you please provide more details on the reasons behind this? For example, could you explain which business areas have seen improvements and how?

A. The improvement in operating profit is primarily attributed to enhanced productivity in the Semiconductor business. In the first quarter of the previous fiscal year, the company faced challenges stemming from component defects carried over from the fiscal year before last, which required allocating certain resources to provide free repairs for products equipped with defective components. However, this issue has been completely resolved in the current fiscal year, allowing resources to be redirected from free-of-charge support to paid product shipments and maintenance, significantly improving productivity.

Additionally, in the first quarter of the current fiscal year, increased sales in high-margin new frontier businesses contributed to overall profit growth. Furthermore, the buildup of inventory, particularly in the Semiconductor and Healthcare businesses, in preparation for increased sales from the second quarter onward, also supported the improvement in profitability.

Q. The sales forecast for the first quarter was initially conservative. Could you explain the reasons why the actual results fell short of this conservative forecast and whether recovery is possible in the first half, including the second quarter? Additionally, regarding the Semiconductor business, I understand that the forecast was based on the uncertain performance of some end customers. Has there been any change in their situation?

A. The reason why the actual sales for the first quarter fell short of the forecast is due to slight underperformance in both the Semiconductor and Healthcare businesses. However, we expect to recover this shortfall in the second quarter and achieve the forecast for the first half as a whole. Regarding the performance of some end customers in the Semiconductor business, we have not observed any significant recovery, but we have heard indications of a slight recovery. Therefore, we are hopeful for increased demand from the third quarter onward.

Q. At the financial results briefing for the first quarter of last year, you mentioned power semiconductors and quantum as areas of focus. Now that a year has passed, please tell us about the progress made in each area.

A. In the power semiconductor field, development of solution-method SiC is progressing largely as planned, and we have begun shipping samples to users. We are developing our solution-method SiC products mainly for high-voltage applications and are making further improvements based on feedback from users. We are also making steady progress with gallium oxide, another power semiconductor material, and have successfully developed a 4-inch ingot and begun shipping samples.

In the quantum field, development of quantum entangled photon pair modules is progressing. This module is a product applicable to all three fields of quantum computing, quantum cryptography, and quantum sensing. Particularly for quantum communication, we have supplied the module to multiple leading research and development institutions and received high evaluations. Additional orders are expected in the future.