

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, 2024

OXIDE Corporation held a financial result briefing for analysts and institutional investors yesterday (on July 16, 2024). 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.

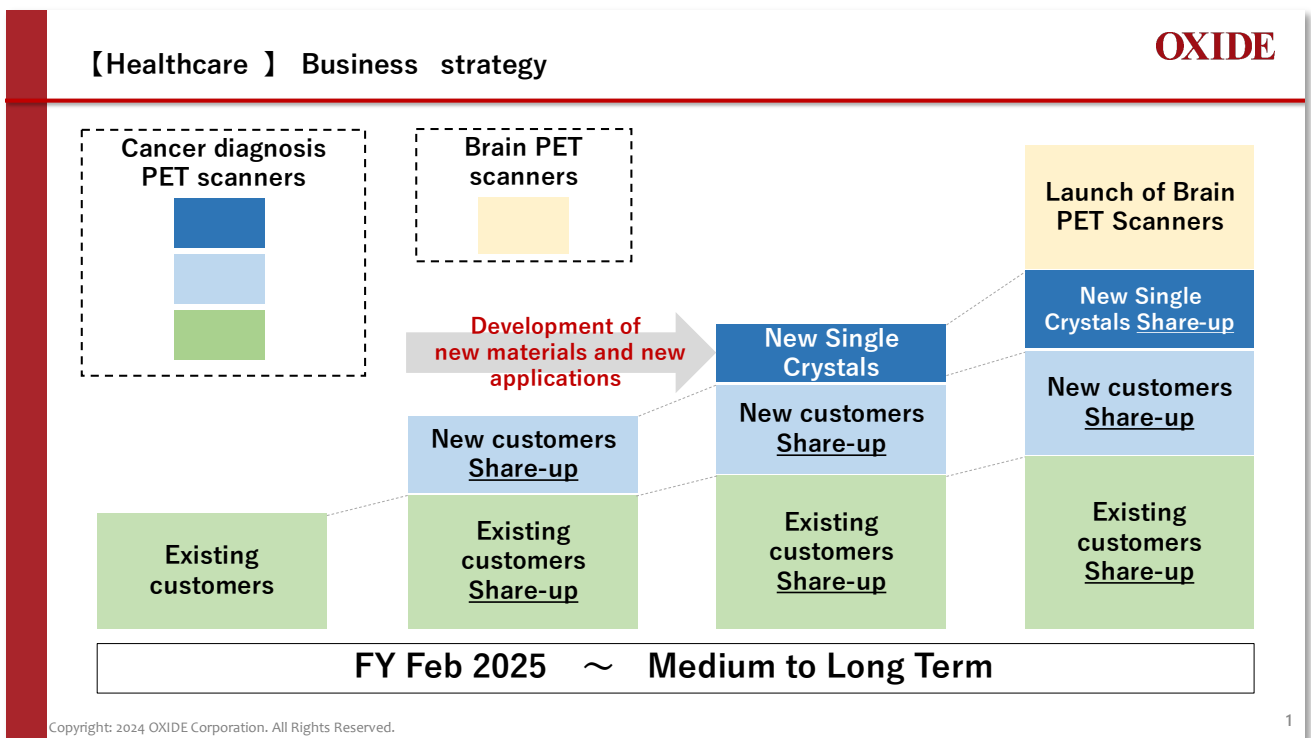
Q. At the general shareholders meeting, you explained the medium to long-term growth scenario for the Healthcare business. Could the reason for the strong revenue in the first quarter be in line with that growth scenario?

You said that sales to new customers will start in earliest from the second quarter. What kind of revenue trends and growth scenarios do you envision?

A. The reason for the strong first quarter revenue was the acceleration of some customer demand, which contributed to the first quarter revenue.

This document is the medium to long-term growth scenario for the healthcare business that we explained at the general shareholders' meeting.

In the area of cancer diagnosis PET scanners, we are increasing our share with existing customers and developing new customers. When formulating the plan for the annual forecast, we assumed a certain revenue for new customers. We expect revenue to increase in the future due to the addition of sales to new customers. In addition to our mainstay LGSO single crystals, we are also developing single crystals using new materials. We also have close relationships with our major customers for brain PET scanners, and inquiries for our single crystals are on the rise.



Q. What is the latest development progress of the SiC business and solution-method wafers?

A. We are working to commercialize SiC single crystals, which are expected to grow significantly in the future. This project aims to develop SiC substrates with very few defects, particularly for high voltage applications, using a manufacturing method called the solution method, with the support of the Green Innovation Fund (GIF) Project, a national project of NEDO. Because this is a high-quality SiC single crystal substrate that cannot be achieved using the existing sublimation method, inquiries from business partners have increased since the GIF project began.

In the GIF project, a stage-gate is set once every few years to determine whether to continue the support or not according to the progress of the research. We passed the first stage gate set in the second year of operation. We are currently preparing to ship samples of the SiC wafers we have developed.

Through exploring joint development with epitaxial manufacturers and discussions with device and module manufacturers, we aim to capture information on Product development that is required in the end customers. In April, we announced our plan to establish a subsidiary responsible for the SiC business, independent from OXIDE. Preparations for the subsidiary establishment are currently underway. By doing so, we hope to secure flexibility in financing and accelerate R&D and commercialization while building relationships with business partners.

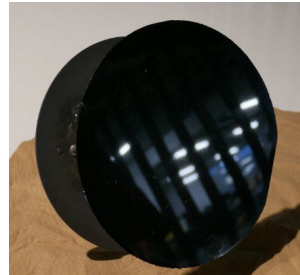
【Power Semiconductor】 SiC Wafer Progress

OXIDE

- **Using Green Innovation Fund, progress has been made in the development of ultra - low-defect SiC substrates that cannot be achieved by the sublimation method.**
- **We have passed the stage gate in the second year.**
- **Sample shipments are scheduled to begin in FY Feb 2025.**
- **A subsidiary to develop mass production of SiC Wafer is planned to be Established.**



**SiC development base
(Yamanashi No. 5 Plant)**



**Φ 6 inch solution -
method SiC wafer**

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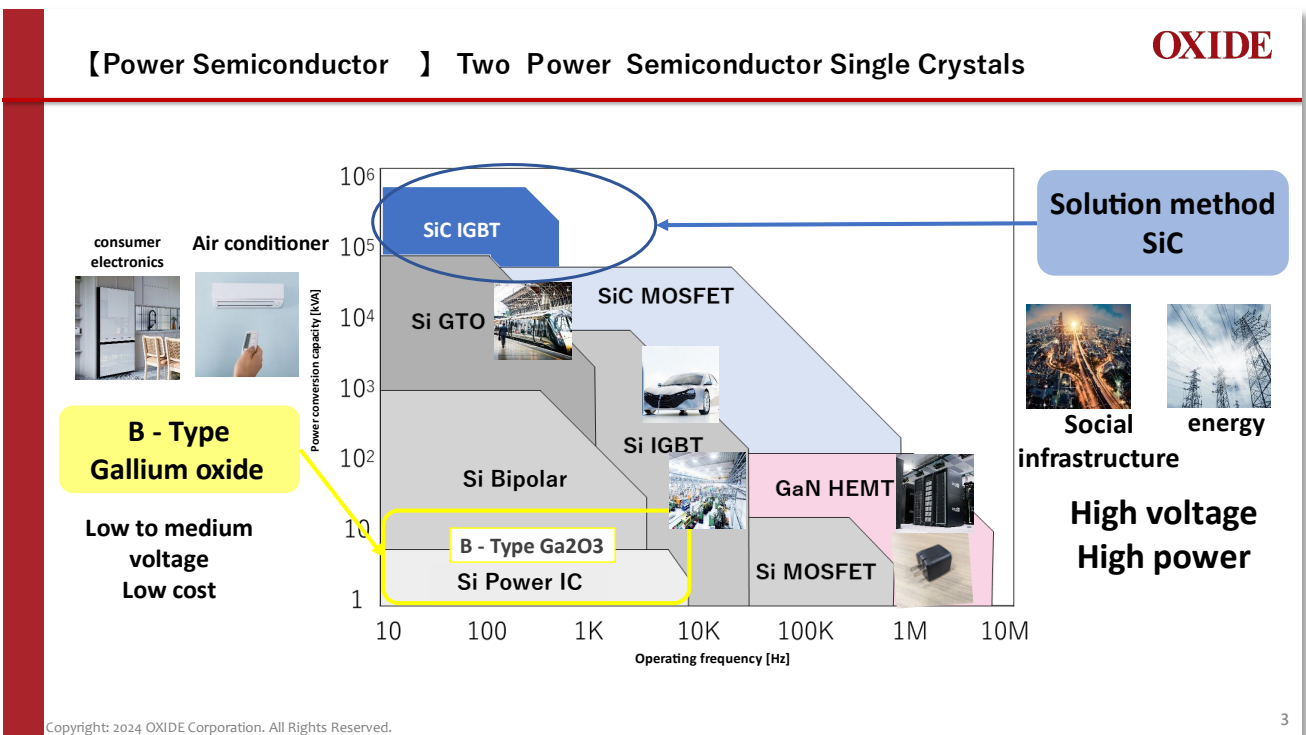
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Q. I would like you to elaborate on the power semiconductor crystals you are working on. In particular, you have explained SiC, but I understand you are also working on β -type gallium oxide. Please explain whether these are the same applications.

A. We are working on two types of power semiconductor single crystals, SiC using the solution method and β -type gallium oxide using the VB method. SiC and β -type gallium oxide are the same power Semiconductor crystals, but their characteristics differ. Therefore, there is a difference in the purpose of use.

As SiC single crystals with few defects have high withstand voltage characteristics, they are expected to be applied in the energy and infrastructure fields. On the other hand, β -type gallium oxide single crystals are expected to be used in low to medium voltage applications, including next-generation home appliances.

All of these materials will be essential for energy conservation measures and our daily lives in the future. We aim to mass-produce the low-cost production method developed by Shinshu University and Kyoto University. Although it has only been about six months since the project was launched, we have made more progress than initially planned about single crystals development.



Q. Could you tell us more about the business model of the Power Semiconductor that you are working on? Under the circumstances where overseas manufacturers are expanding their businesses with tremendous momentum, I would like you to explain whether domestic manufacturers, including OXIDE, have a chance of winning.

A. This document shows our business model for next-generation Power Semiconductor, as explained at the general shareholders meeting.

We are moving forward with the commercialization of SiC single crystal substrates and β -gallium oxide single crystal substrates, which are located upstream in the value chain.

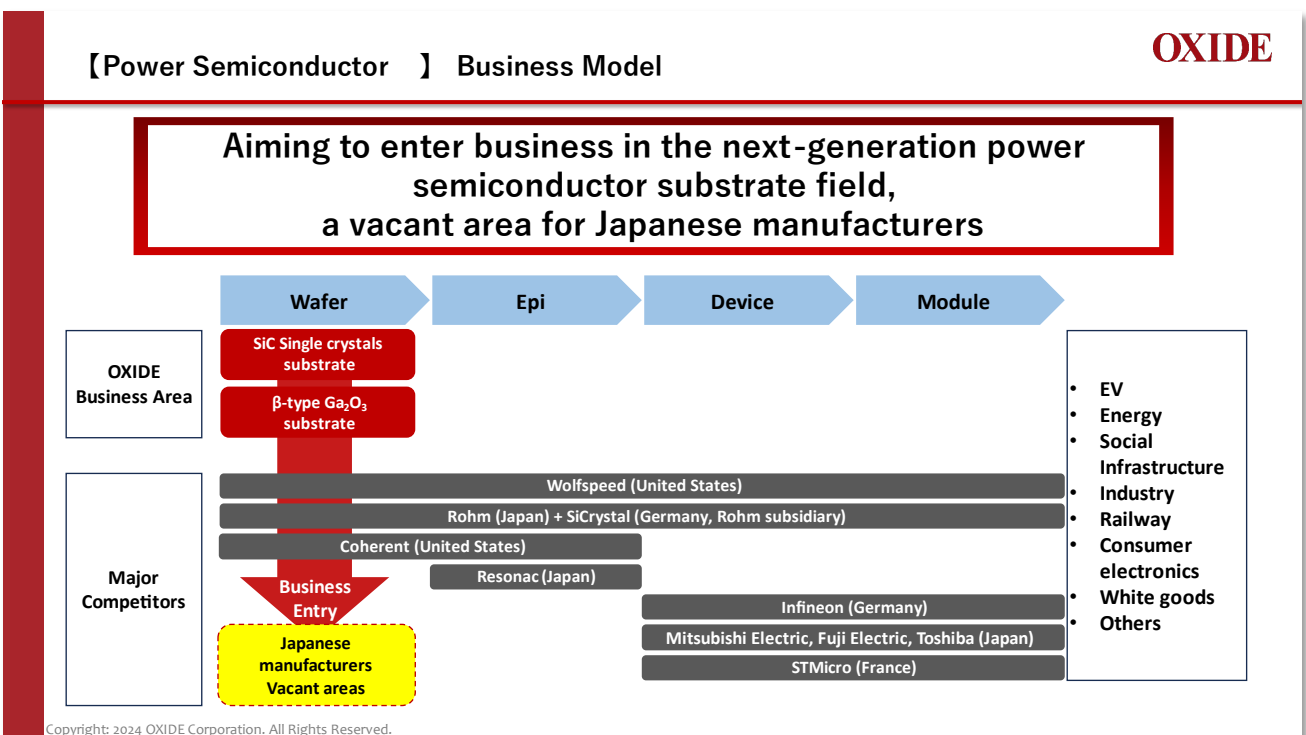
β -gallium oxide single crystal substrates are a material that is expected to grow in the future.

We aim to mass-produce them using a low-cost manufacturing method developed by Shinshu University and Kyoto University. Although the development of gallium oxide single crystal substrates has been started in the U.S., Germany, China, Korea, and other countries in recent years, Japan has been the world leader in research and development of this technology, and Japan has the advantage at this point. This is a single crystals technology where we can take advantage of our manufacturing technology and business know-how. In fact, although the project has only been underway for about six months, progress in single crystals development has exceeded our initial plan.

On the other hand, SiC single crystals substrates are growing remarkably in the field of next-generation Power semiconductor, and the market is expanding at a rate even faster than predicted several years ago. However, foreign manufacturers currently hold the majority of the market share, and domestic device and module manufacturers cannot secure high-quality substrates, which is a challenge from the economic security perspective. For this reason, the government, led by the Ministry of Economy, Trade and Industry, is providing support. We aim to enter the field of next-generation Power Semiconductor substrates, which is a vacant area for Japanese companies.

Currently, we are seeking joint development with epi-makers, and through discussions with device and module manufacturers, we will catch up on information on product development actually required in the market and use it to identify R&D and business issues for market participation.

In the future, we intend to work on commercialization through joint R & D and business alliances with these business partners.



Q. You are focusing on products in the quantum field and their applications. Have you seen any synergy effects with Raicol, which you acquired last year? Also, please explain the quantum entangled light source modules that you are collaborating on in the quantum field and whether any progress has been made in the business.

A. OXIDE and Raicol jointly manufacture and sell wavelength-conversion devices and light sources that generate entangled photon pair for use in research and development in the quantum engineering field. We have already received a number of inquiries from quantum research institutes around the world regarding wavelength conversion devices. We are combining the technologies of OXIDE and Raicol to develop a quantum entangled light source as a Product with higher added value. Although it is a prototype, we have received specific inquiries since the beginning of this year.

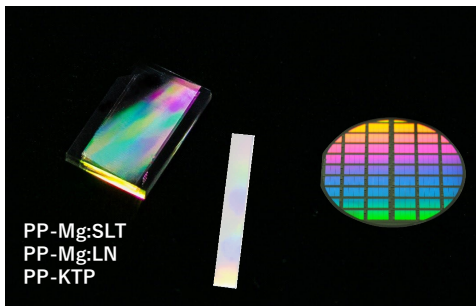
LQUOM, in which we invested in the quantum field, has begun demonstration tests of quantum communication technology on the commercial networks of Softbank and Optage, and we expect these developments to spur demand for OXIDE and Raicol's products.

These wavelength conversion devices and quantum entangled light sources are expected to be used in various applications, including quantum sensing, for which research and development are accelerating worldwide. In terms of R&D, we have selected several R&D themes to be jointly pursued by OXIDE and Raicol, and have strengthened collaboration by assigning personnel from both companies to each theme. In terms of sales, OXIDE and Raicol exhibited at a total of four trade shows in the first quarter, two in Japan and two overseas, to sell both companies' products to customers, thereby accelerating their alliance.

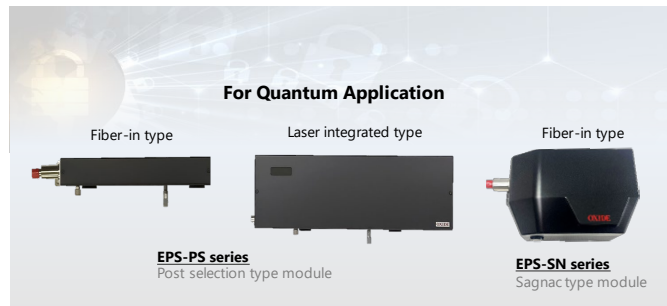
【Quantum】 Entangled photon pair module

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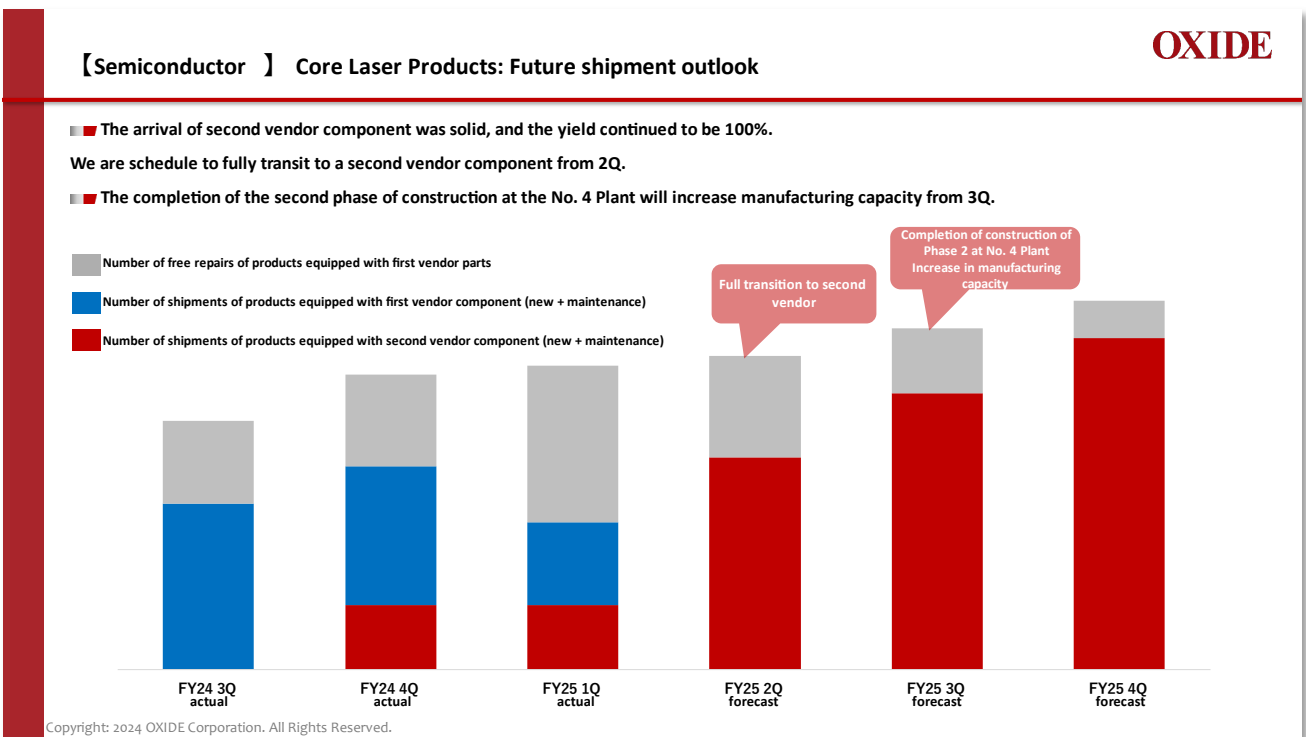
Frequency Conversion Crystals



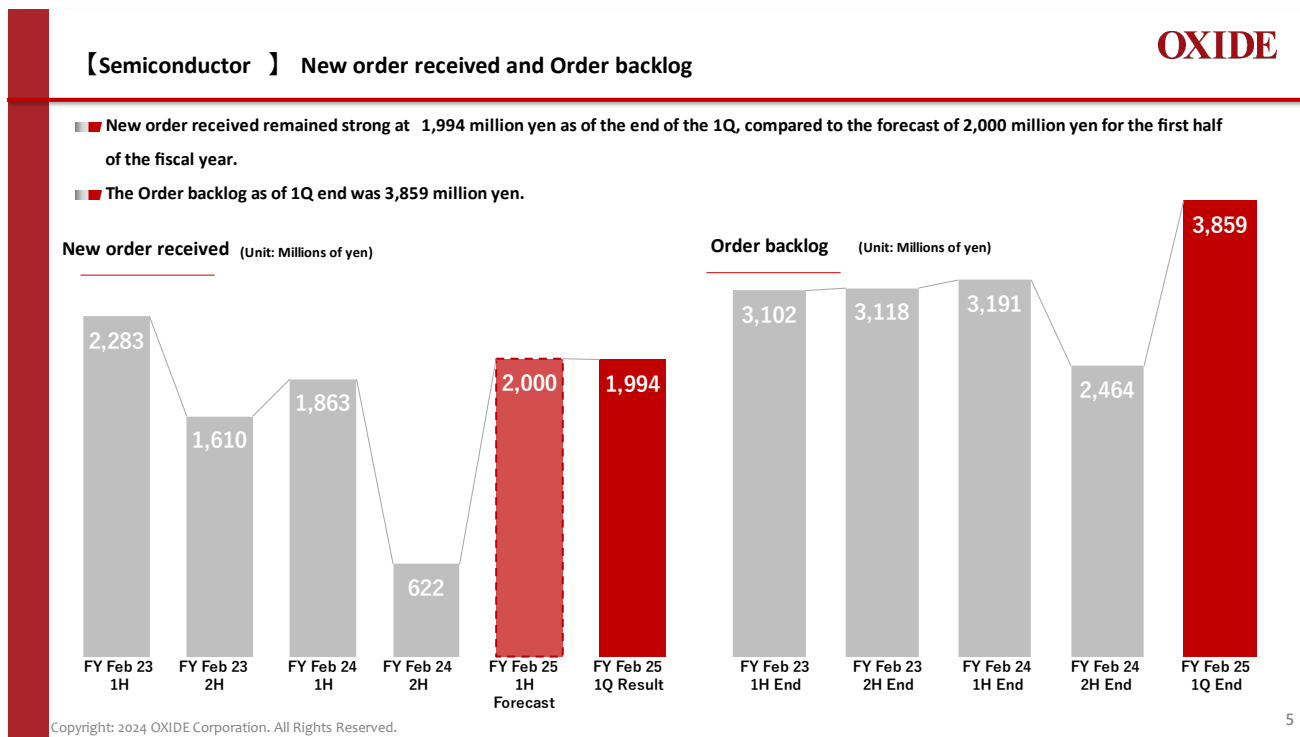
Entangled photon pair LIGHT SOURCES MODULE



- Q. You explained that one of the reasons for the downturn in the semiconductor business was an increase in free repair work. Please explain the background of the expected decrease in free repairs from the second quarter.
- A. When a problem with one of our laser products becomes apparent to a customer, we take the product back to the customer for repair. In the first quarter, we saw an increased in the number of repairs for laser products equipped with first vendor components. We are closely investigating the second quarter and beyond. Since the second quarter of last year, we have tightened our pre-shipment testing standards for laser products based on statistical data on defects. The free repairs performed in the first quarter were for laser products shipped before this tightening. We expect that the number of laser products requiring repair will decrease from the second quarter onward.



- Q. Regarding new order received in the semiconductor business, I understand that the initial forecast of 2 billion yen for the first half of the fiscal year was almost achieved in the first quarter results. Considering this steady order volume, do you expect revenue for the second half of this fiscal year to exceed your initial forecast?
- A. Currently, component shipments from the second vendor have been steady. In addition, with the increase in capacity due to the second-phase construction of the Yamanashi Plant No. 4 scheduled for completion around August of this year, we expect revenue to expand in the second half of the year, and at this point, we expect annual revenue to be in line with our annual forecast.



- Q. What is your outlook for the second quarter? While operating loss in the first quarter was larger than initially forecasted, is it correct to assume that there will be some operating loss remaining in the second quarter, and that it is expected to turn profitable and recover in the second half of the year?
- A. As for the outlook for the second quarter, we do not have any significant concerns at this time in the semiconductor business, given that second vendor component shipments will increase, and repair responses will decrease. In the healthcare business, depending on the demand trend from the new customers we have just introduced, we assume that revenue may exceed our forecast. On the other hand, in the new area business, we will continue to closely monitor the situation in Israel, as the situation remains uncertain.
- Q. Are there specific concerns about the situation in Israel?
- A. We consider this as a general geopolitical risk, not a specific concern in the Israeli situation.