Letter to Our Shareholders

Dear Shareholders,

The fourth quarter ending December 31, 2025, continued to present a challenging operating environment for OrionArc. We are navigating dynamic and highly competitive markets for smartphone and robotics RISC-based chipsets, requiring sustained effort to capture significant market share against established incumbents and alternative architectures.

Our financial performance reflects these persistent pressures. Total revenue for the fourth quarter was $450 million, representing a modest increase of 4.7% from the $430 million recorded in the third quarter of 2025. This growth was driven by increases in both License and other revenue (up 2.9% Q-o-Q to $180 million) and Royalty revenue (up 5.9% Q-o-Q to $270 million). While licensing activity remains steady as partners evaluate and integrate our technologies, the slower-than-anticipated growth in royalty revenue underscores the headwinds in end-device shipments utilizing our current chipsets and the inherent lag between new design wins translating into shipping products.

Despite these top-line pressures, we maintained our strategic focus on investing in the future. Research and development (R&D) expenses increased slightly to $280 million this quarter, up 3.7% from $270 million in Q3, reflecting our unwavering commitment to technological innovation as the key differentiator for OrionArc. We believe this sustained investment is crucial for refining our product roadmap, particularly focusing on energy efficiency, edge AI processing, and real-time capabilities where our RISC architecture offers unique advantages for next-generation smartphones and advanced robotics.

Profitability saw a slight improvement quarter-over-quarter, with net income increasing 8.3% to $52 million from $48 million in Q3. This improvement, while welcome, highlights the ongoing need to translate our technological investments into more substantial revenue growth and market penetration.

We understand that regaining market momentum is paramount. The strategic initiatives outlined later in this report – sharpening product offerings, enhancing customer engagement, strengthening the RISC ecosystem, and optimizing operations

– are being implemented with discipline and urgency.

We appreciate your continued support as we work through this challenging period. We remain confident in the fundamental strengths of our RISC technology and the significant long-term opportunities in the smartphone and robotics markets. Our team is focused on building a stronger, more competitive OrionArc capable of delivering sustainable growth and creating lasting value for our shareholders.

Sincerely,

Brian Ser

Chief Executive Officer

OrionArc

Management Discussion and Analysis

Q4 2025 Financial Results and Quarter-over-Quarter Comparison

For the three months ended December 31, 2025 (Q4 2025), OrionArc's financial results underscore the competitive pressures and market dynamics we are currently experiencing, though we saw modest sequential improvement compared to the three months ended September 30, 2025 (Q3 2025).

Revenue:

Total revenue for Q4 2025 was $450 million, an increase of $20 million, or 4.7%, compared to $430 million in Q3 2025.

- License and other revenue was $180 million in Q4, up $5 million (2.9%) from $175 million in Q3. This reflects ongoing design activity and evaluation agreements with semiconductor companies licensing our RISC IP for future products. While engagement levels are positive, the conversion into high-volume royalty streams remains a key focus area.
- Royalty revenue, derived from shipments of partners' products incorporating

our IP, was $270 million in Q4, up $15 million (5.9%) from $255 million in Q3. This modest sequential growth is attributable to a combination of factors, including slightly improved demand in certain end-device categories using our current chipsets and the early, albeit slow, ramp-up of products incorporating more recently licensed technologies. The overall growth rate continues to be impacted by market softness and the lead times required for design wins to reach mass production.

Gross Profit:

Gross profit for Q4 2025 was $430 million (representing a 95.6% gross margin), compared to $411 million (95.6% gross margin) in Q3 2025, an increase of $19 million or 4.6%. Cost of sales remained relatively low at $20 million in Q4, compared to $19 million in Q3, consistent with our IP-licensing business model where direct costs are primarily related to support and services.

Operating Expenses:

Total operating expenses were $370 million in Q4 2025, an increase of $15 million (4.2%) from $355 million in Q3 2025.

- Research and development (R&D) expense was $280 million in Q4, compared to $270 million in Q3 (a 3.7% increase). This significant, deliberate investment underscores our commitment to developing next-generation RISC technologies crucial for future competitiveness in AI, connectivity, and performance within smartphones and robotics. We believe maintaining this high level of investment, even amidst revenue pressures, is vital for long-term success.
- Selling, general, and administrative (SG&A) expenses were $90 million in Q4, up from $85 million in Q3 (a 5.9% increase). This reflects ongoing costs associated with global operations, sales efforts, and administrative functions. We are actively reviewing SG&A expenses to identify efficiencies while ensuring adequate resources support strategic growth initiatives.

Operating Income:

Operating income for Q4 2025 was $60 million (a 13.3% operating margin), compared to $56 million (a 13.0% operating margin) in Q3 2025. The $4 million (7.1%) sequential increase reflects revenue growing slightly faster than operating expenses during the quarter.

Other Income, Taxes, and Net Income:

Income before income taxes was $65 million in Q4, compared to $60 million in Q3, positively impacted by slightly higher net other income ($5 million in Q4 vs $4 million in Q3). Income tax expense was $13 million in Q4 (an effective tax rate of 20.0%), compared to $12 million in Q3 (also 20.0% effective tax rate).

This resulted in Net Income of $52 million for Q4 2025, an increase of $4 million, or 8.3%, compared to $48 million in Q3 2025.

While profitability improved sequentially, these results highlight the need for accelerated execution on our strategy to improve market penetration and translate our substantial technology investments into stronger financial performance and market share gains.

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Consolidated Income Statements

(in millions) (Unaudited)

	Three Months Ended Dec 31, 2025 (Q4)	Three Months Ended Sep 30, 2025 (Q3)	$ Change Q4 vs Q3	% Change Q4 vs Q3
Revenue:				
License and other revenue	$180	$175	$5	2.9%
Royalty revenue	$270	$255	$15	5.9%
Total revenue	$450	$430	$20	4.7%

Cost of sales	(20)	(19)	(1)	5.3%
Gross profit	$430	$411	$19	4.6%
Operating expenses:				
Research and development	(280)	(270)	(10)	3.7%
Selling, general and administrative	(90)	(85)	(5)	5.9%
Total operating expense	(370)	(355)	(15)	4.2%
Operating income	$60	$56	$4	7.1%
Income from equity investments, net	3	2	1	50.0%
Interest income, net	5	4	1	25.0%
Other non-operating income (loss), net	(3)	(2)	(1)	50.0%
Income before income taxes	$65	$60	$5	8.3%
Income tax benefit (expense)	(13)	(12)	(1)	8.3%

Net income	$52	$48	$4	8.3%

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Balance Sheet

(in millions) (Unaudited)

	As of Dec 31, 2025	As of Sep 30, 2025
Assets		
Cash and cash equivalents	$450	$365
Accounts receivable	120	110
Property, plant, and equipment, net	300	295
Intangible assets and goodwill	700	700
Other assets	80	110
Total Assets	$1,650	$1,580
Liabilities and Shareholders' Equity		
Accounts payable	$50	$45

Accrued expenses and other liabilities	100	95
Deferred revenue	150	140
Long-term debt	200	210
Total Liabilities	$500	$490
Total Shareholders' Equity	1,150	1,090
Total Liabilities and Shareholders' Equity	$1,650	$1,580

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Cash Flow Highlights

(in millions) (Unaudited)

Cash Flow Activities	Three Months Ended Dec 31, 2025 (Q4)	Three Months Ended Sep 30, 2025 (Q3)
Net cash provided by (used for) operating activities:		
Net income	$52	$48

Adjustments for non-cash items (e.g., depreciation, amortization, share-based compensation)	40	37
Changes in operating assets and liabilities (e.g., receivables, payables, deferred revenue)	30	25
Net cash provided by operating activities	$122	$110
Net cash provided by (used for) investing activities:		
Purchases of property, plant, and equipment	(30)	(25)
Investments in equity interests	(5)	(5)
Net cash used for investing activities	(35)	(30)
Net cash provided by (used for) financing activities:		
Repayment of debt	(10)	(5)
Proceeds from exercise of stock options	8	0
Net cash used for financing activities	(2)	(5)
Net increase (decrease) in cash and cash equivalents	$85	$75

Cash and cash equivalents at beginning of period	365	290
Cash and cash equivalents at end of period	$450	$365

Business Strategy: Path to Growth and Market Leadership

To address the challenges reflected in our recent financial performance and achieve our goal of significant market share gain, OrionArc is focused on executing a targeted and aggressive business strategy built on the following pillars:

Accelerating Product Innovation and Differentiation:

Our core strength lies in our RISC architecture. We are intensifying R&D efforts to push the boundaries of performance, power efficiency, and specialized capabilities required for future smartphones (e.g., on-device AI, advanced graphics) and robotics (e.g., real-time control, sensor fusion). We are investing in developing optimized compute subsystems and IP blocks that offer clear, measurable advantages over competing solutions, moving beyond general-purpose cores to provide compelling, application-specific value.

Enhancing Go-to-Market and Customer Engagement:

We are refining our sales strategy to be more targeted and solutions-oriented. This involves building deeper technical relationships with key potential customers in both the smartphone and robotics sectors, demonstrating how OrionArc's technology directly addresses their specific design challenges and market opportunities. We are strengthening our field application engineering team to provide superior technical support and reduce integration complexity for our partners.

Strengthening the RISC Ecosystem:

For RISC to gain broader adoption, a robust ecosystem is critical. We are actively working to expand and support the software, tools, and services available for our architecture. This includes collaborating with operating system vendors, middleware providers, and development tool companies to ensure a smooth and productive development experience for customers using OrionArc chipsets. Building this collaborative environment is essential to lowering adoption barriers.

Optimizing Operations and Supply Chain:

To remain competitive on cost and reliability, we are continuously optimizing our global supply chain. This involves working closely with our foundry partners to secure favorable terms and reliable capacity, as well as implementing internal efficiencies in our design and delivery processes. Managing costs effectively across the organization is crucial to improving profitability as revenue scales.

Targeted Market Focus and Partnerships:

While addressing global markets, we are identifying specific sub-segments within smartphones and robotics where our technology offers the strongest competitive advantage. We are also exploring strategic partnerships with companies that can help accelerate our penetration into new customer bases or provide complementary technologies that enhance our overall offering.

We believe this strategic framework provides a clear path to overcome our current market share challenges. The investments we are making, particularly in R&D and ecosystem development, are foundational to future success. While the current financial results reflect the scale of the challenge, we are confident that disciplined execution of this strategy will enable OrionArc to strengthen its position, achieve sustainable growth, and deliver enhanced value to our shareholders in the years to come. We remain committed to transparency and will continue to provide updates on our progress against these strategic objectives.