



FY12/18 Financial Results Briefing Material

RS Technologies Co., Ltd.

March 12, 2019



Code: 3445
Tokyo Stock Exchange First Section

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Results of Investigation Conducted by the Special Investigative Committee

Results of Investigation Conducted by the Special Investigative Committee

- Transactions allegedly beginning in August 2015, the reality of which was in question, were accounted for as regular business transactions. This accounting was deemed inappropriate and corresponding revisions were retroactively made to past sales and procurement figures.
- According to reports received by the Company, these transactions were false deals that were conducted without the awareness of the Company’s executives, and no similar false deals have been discovered.

Causal Analysis	
Various deficiencies	
1. Lack of awareness regarding sales channels	
2. Lack of confirmation regarding reality of transactions	
3. Lack of confirmation concerning evidenced documents	
4. Lack of information sharing	
Excessive trust of referring party	
Weak internal control	
Weak auditing function	



Recurrence Prevention Measures		
Creation and observance of a procedure manual		
Review of existing transactions and clients and adjustment of rules and regulations		
Review and improvement of transaction management and translation-related documents		
Strengthening of checks and balances		
Internal actions taken toward related parties (Reduction in director remuneration)	President and CEO	Nagayoshi Ho 30%
	Director and General Manager of Operations	Kunio Hongo 20%
	Director and General Manager—Administrative Division	Masayuki Suzuki 20%
	Four-month period spanning from February 2019 to May 2019	
Implementation of compliance training		
Expansion of reporting channels		

*For more details, please see the “Notice Regarding Receipt of a Special Investigative Committee Report” released on February 1, 2019.

FY12/18 Results Summary

FY12/18 Results Summary

- Achieved large year-on-year increases of 130% in sales and over 90% in both operating and ordinary income
- These results were primarily due to favorable performance in the silicon wafer reclamation business, the Beijing subsidiary's consolidation and strong operation at the Beijing factory.

(Millions of Yen)	FY12/17	Initial 12/18 Forecast	Revised 12/18 Forecast Announced on November 13, 2018	FY12/18	YoY	Vs. Revised Forecast
Net sales	10,932	20,993	25,520	25,478	+133.1%	(0.2)%
Operating income	2,982	3,891	5,500	5,751	+92.9%	+4.6%
Operating income ratio	27.3%	18.5%	21.6%	22.6%	(4.7)pt	+1.0pt
Ordinary income	3,159	3,897	5,810	6,141	+94.4%	+5.7%
Ordinary income ratio	28.9%	18.6%	22.8%	24.1%	(4.8)pt	+1.3pt
Net income attributable to owners of the parent	2,113	2,585	3,110	3,620	+71.3%	+16.4%
Net income per share (Yen)	190.56	206.14	256.10	294.80	+54.7%	+15.1%

*FY12/17 financial figures are revised figures released on March 5, 2019

Results by Segment and Company

- Maintained favorable performance in the pre-existing silicon wafer reclamation business thanks to full production in Japan and Taiwan
- The Company's Chinese subsidiary in the prime wafer business was consolidated in January 2018 and extensively contributed to earnings.

By segment (Millions of Yen)	Wafer Business		Prime Wafer Manufacturing and Sales Business		Purchases and Sales of Semiconductor Equipment Business		Other, Adjustments		Consolidated Total	
		YoY		YoY		YoY		YoY		YoY
Net sales	10,974	+15.6%	11,919	—	2,918	+109.4%	(333)	—	25,478	+133.1%
Operating income	4,012	+18.1%	2,049	—	366	+182.5%	(676)	—	5,751	+92.9%
Operating income ratio	36.6%	+0.8pt	17.2%	—	12.5%	+3.2pt	—	—	22.6%	(4.7)pt

By company (Millions of Yen)	RS		Taiwan Subsidiary		Beijing Subsidiary		Elimination of Intra- company Transactions	Consolidated Total	
		YoY		YoY		YoY			YoY
Net sales	10,557	+24.2%	2,904	+9.7%	11,919	—	(787)	25,478	+133.1%
Operating income	2,631	+23.0%	972	+9.8%	2,049	—	67	5,751	+92.9%
Operating income ratio	24.9%	+0.4pt	33.5%	0.0pt	17.2%	—	—	22.6%	(4.7)pt

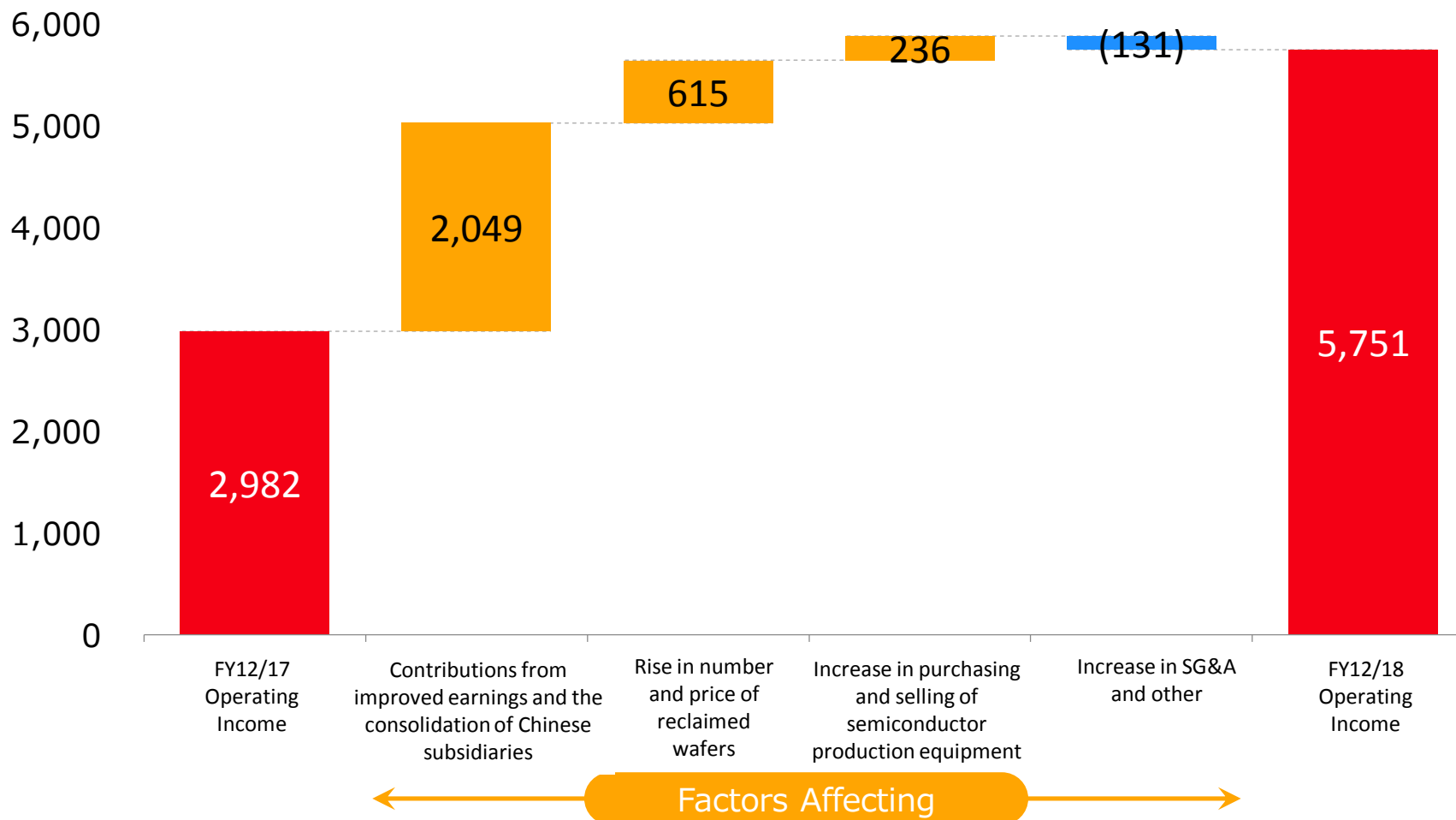
*Union Electronics Solutions Co., Ltd. became a consolidated subsidiary in Q2 FY12/18, and its impact on results was minimal. Accordingly, its performance has been excluded from results listed by company.

* Year-on-year figures have been determined based on comparisons to revised results released on March 5, 2019

Factors Affecting Operating Income

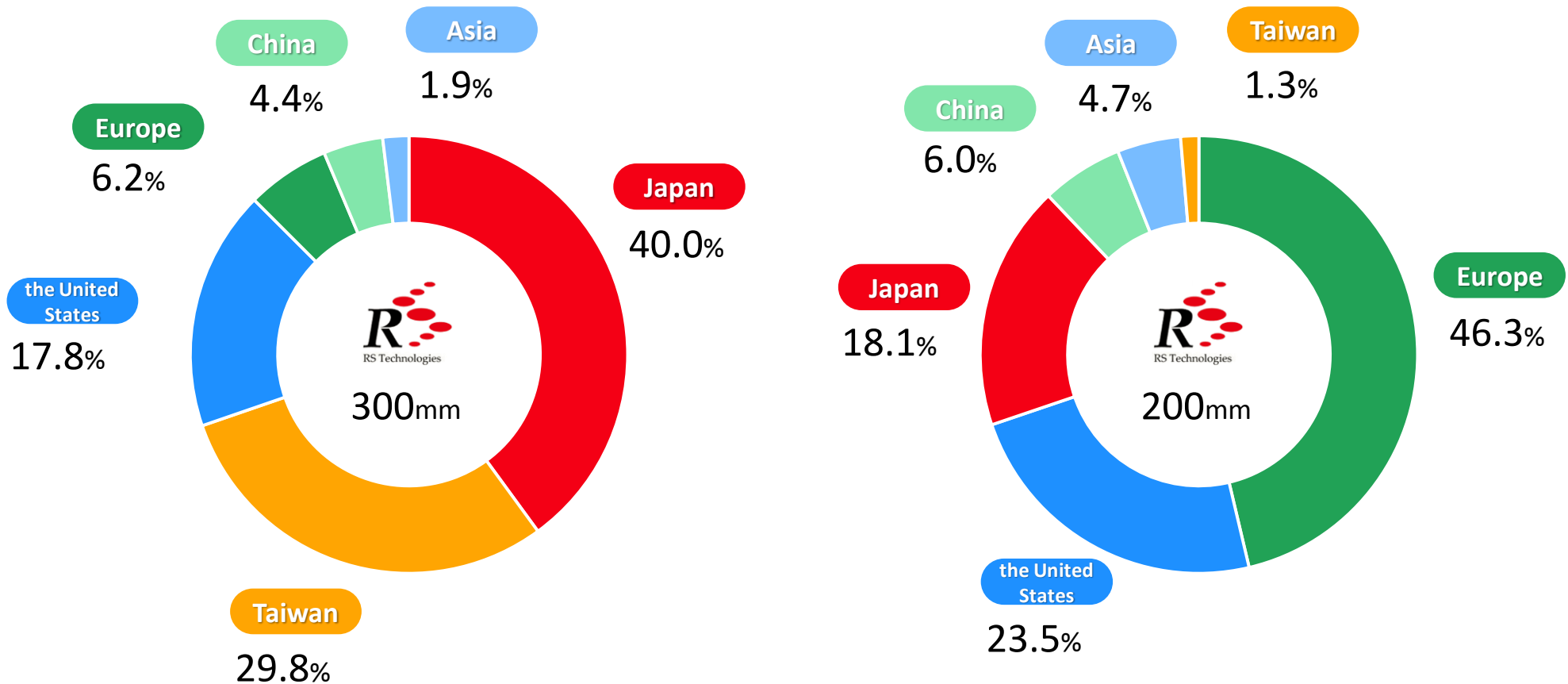
- Contributing greatly to increased earnings were the consolidation of Chinese subsidiaries, improved prime wafer yields and an increase in production of prime wafers.
- Growth in reclaimed wafer sales and sales produced through the purchasing and selling of semiconductor production equipment also had a positive impact on earnings.

((Millions of Yen)



Share of Total Shipments from the Silicon Wafer Reclamation Business

- Global expansion targeting mainly manufacturers in Japan, Taiwan, Europe and The United States
- Enhance production capacity of reclaimed wafers in 2019 through capital investment in 300mm wafers in Japan and Taiwan
- Plan to expand shipments of 300mm wafers in North America, Taiwan, Japan and Europe
- China currently has a low share of shipments, leaving room for future expansion



Notes: Based on wafer numbers reported in a study conducted by RST (fiscal 2018)

Balance Sheet and Cash Flow Statement

- Property, plant and equipment increased dramatically along with the establishment of a joint venture in China. Current assets also experienced large growth due to business expansion.
- Net assets rose due to increases in capital and capital reserve from a public stock offering and growth in retained earnings resulting from net income

Consolidated Balance Sheets

(Millions of Yen)	FY12/17	FY12/18
Assets		
Current Assets	7,387	26,208
Cash and cash equivalent	3,243	14,879
Notes and accounts receivable - trade	2,915	6,958
Merchandise and finished goods	446	1,343
Non-current assets	4,843	10,510
Property, plant and equipment	4,674	8,963
Intangible assets	19	1,099
Investments and other assets	149	446
Total Assets	12,230	36,718
Liabilities and Net Assets		
Current liabilities	3,370	4,979
Notes and accounts payable - trade	398	1,554
Interest-bearing debt	1,276	976
Non-current liabilities	3,334	2,601
Long-term loans payable	2,767	1,848
Total Liabilities	6,704	7,580
Net assets	5,525	29,137
Total Liabilities and Net Assets	12,230	36,718

Cash Flows

(Millions of Yen)	FY12/17	FY12/18
Cash flows from operating activities	2,744	2,669
Cash flows from investing activities	(202)	(22)
Cash flows from financing activities	(1,252)	9,550
Effect of exchange rate changes on cash and cash equivalents	(87)	(461)
Exchange gain on cash and cash equivalents	1,714	11,736
Cash and cash equivalents at beginning of year	2,916	2,916
Cash and cash equivalents at end of year	1,714	14,652

Conversion of DG Technologies into a Subsidiary

- The company has also entered the business of manufacturing and selling consumables for semiconductor manufacturing. With this move, the company aims to secure consistent profitability and further expand earnings through synergy with other businesses.
- The Company is also considering deviating from its primary focus on the Japanese market by expanding into the Chinese market.

Company name	DG Technologies Co., Ltd.	 株式会社DGテクノロジーズ
Date of establishment	October 26, 1981	
Business	Manufacture and sale of consumable parts for semiconductor manufacturing equipment	
Location	3-4 Sunayama, Kamisu-shi, Ibaraki	
Capital	JPY 100,000 thousand (As of end December 2017)	
President C.E.O	Nagayoshi Ho	
History	October 1981	Established the Daisho Technical Research Institute in Asahi-ku, Yokohama-shi, Kanagawa
	February 2016	Filed an application for court protection under the Civil Rehabilitation Law
	June 2016	Formed a new investor system through business restructuring; RST became the sole sales agent
	April 1, 2018	Changed trade name to DG Technologies, Co., Ltd.
	January 10, 2019	RS Technologies Co., Ltd. became a wholly-owned subsidiary

Acquisition Expenses, etc.

¥1.3 billion

Stock acquisition **¥900 million**
 Capital loan amount **¥400 million**
 (working capital)

Most Recent Performance

	FY12/18	FY12/19
Net sales	479,422 thousand	1,278,096 thousand
Operating income	36,047 thousand	82,011 thousand
Ordinary income	(30,655) thousand	32,722 thousand
Net income	(31,098) thousand	32,789 thousand

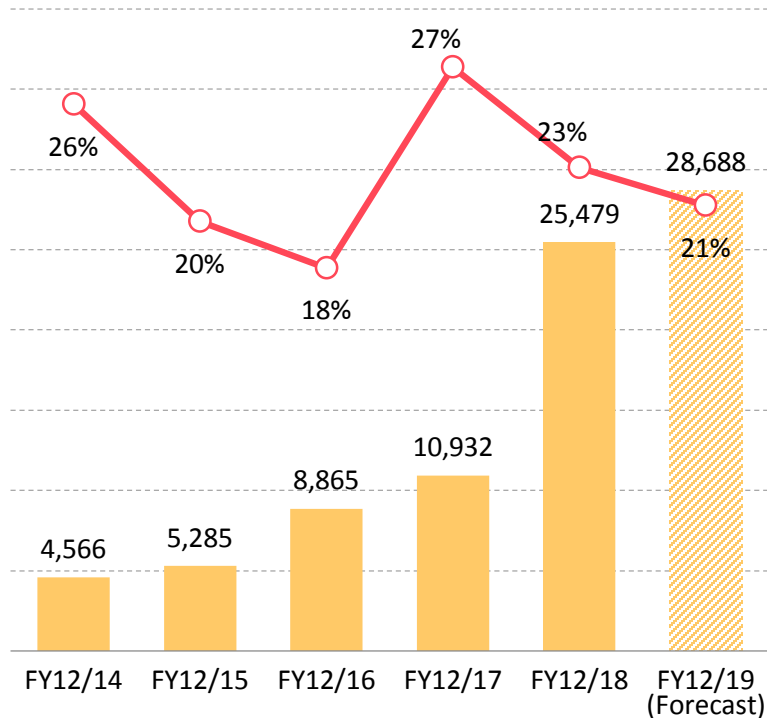
Revised Medium-Term Management Plan

RS Technologies Today

- A comprehensive wafer manufacturer in the silicon wafer reclamation business and prime wafer manufacturing and sales business.
- Purchasing and selling semiconductor production equipment and expanding the solar power business.
- The Company boasts the world's top share in the silicon wafer reclamation business and is expanding its prime wafer business within China.

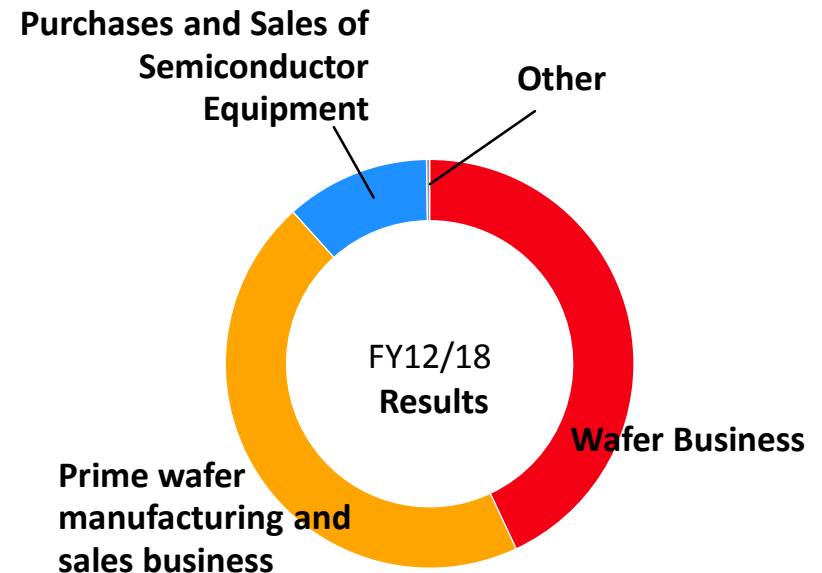
Consolidated Net Sales and Operating Income Ratio

(Millions of yen)



*Figures for FY12/15–FY12/17 are revised figures released on March 5, 2019

Results by Segment



Summary of Medium-Term Management Plan (four years)

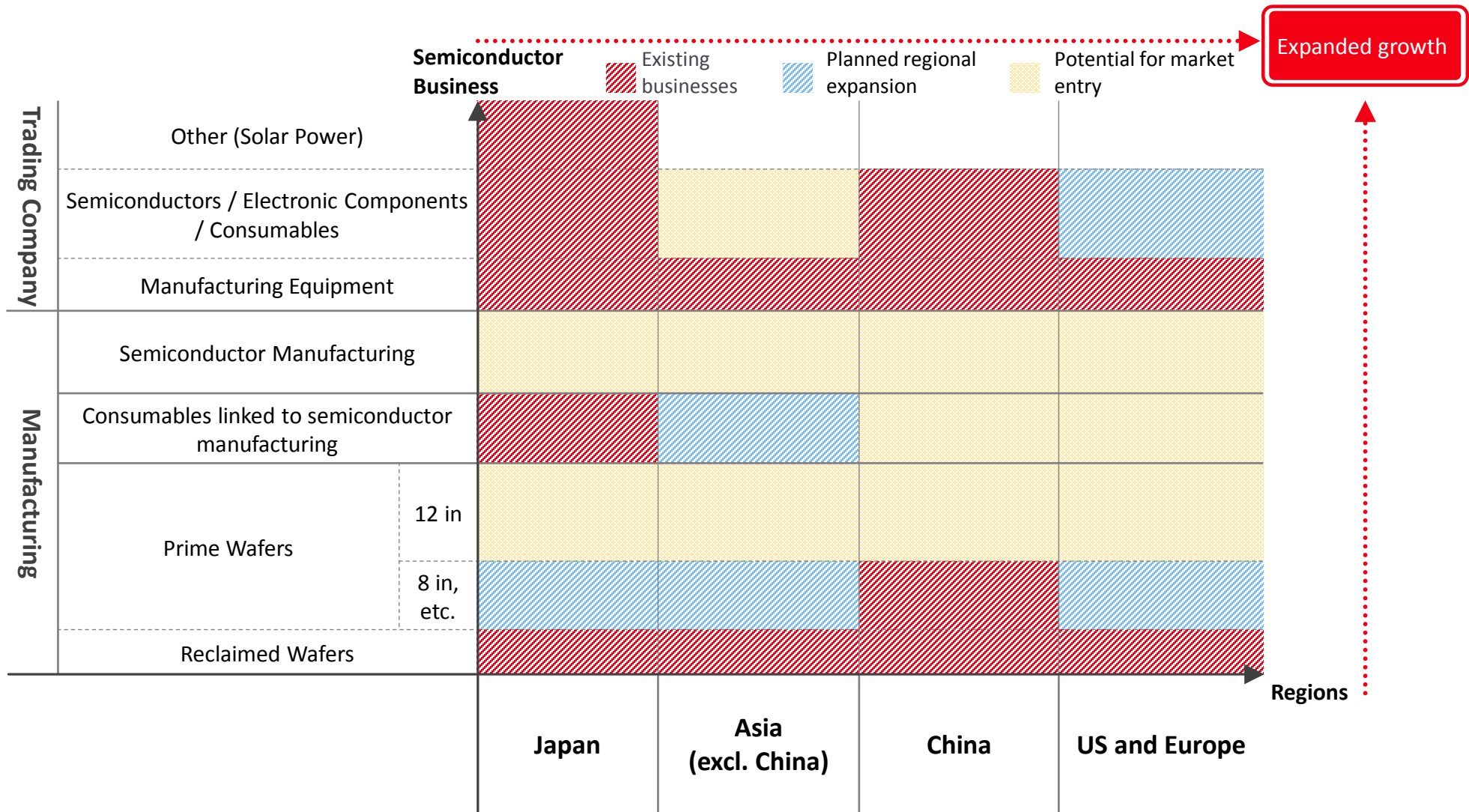
- Aim for a higher share as a reclaimed wafer manufacturer and begin full-scale expansion of the prime wafer business in China
- Further enhance production of reclaimed wafers, promote the establishment and relocation of prime wafer factories and make headway toward globalized quality and increased production capacity
- Aim for sales of ¥33.8 billion, operating income of ¥8.3 billion and net income of ¥4.7 billion in 2022

	FY12/18	FY12/19 Plans		FY12/20 Plans		FY12/21 Plans		FY12/22 Plans
	Results	Previous	New	Previous	New	Previous	New	New
Net sales	25,478	21,000	28,688	25,000	29,000	29,000	30,600	33,800
Operating income	5,751	3,600	5,971	4,800	6,100	6,300	6,600	8,300
Operating income ratio	22.6%	17.1%	20.8%	19.2%	21.0%	21.7%	21.6%	24.6%
Ordinary income	6,141	3,900	6,151	4,700	6,300	6,200	6,600	8,400
Ordinary income ratio	24.1%	18.6%	21.4%	18.8%	21.7%	21.3%	21.6%	24.9%
Net income attributable to owners of the parent	3,620	2,500	3,621	2,900	3,700	3,800	3,900	4,700
Net income per share (Yen)	294.80	195.00	282.72	226.00	288.89	296.00	304.50	366.97

*Projected net income per share is determined based on the number of outstanding shares as of end-FY12/18.

RS Technologies' Aims

- Steady expansion of business domains and regions



Wafer Strategy Moving Forward

2019

Reclaimed Wafers

Offer more 300mm wafers through increased production to the Japanese, Taiwanese, European and US markets

Prime Wafers

Increase provision of wafers to the Chinese market through improved production efficiency at BGRS

2020

Reclaimed Wafers

Offer more 300mm wafers through increased production to the Japanese, Taiwanese, European, US and Chinese markets

~
2022

Prime Wafers

Start operations at BGRS' factory in Dezhou, increase share of the prime wafer market in China and begin provision of prime wafers to markets worldwide

The opportunity for increased production exists within the silicon wafer reclamation business

Expansion into global markets is being considered within the prime wafer business

Japan

Total Investment: ¥2,100 million

- Expand production capacity for 300mm reclaimed wafers
- Begin operations from 2019

FY12/19	FY12/20	FY12/21
¥700 million	¥700 million	¥700 million

Taiwan

Total Investment: ¥700 million

- Expand production capacity for 300mm reclaimed wafers
- Begin production in 2019 (In line with previous forecast)

FY12/19	FY12/20	FY12/21
¥700 million	— million	— million

China

Total Investment: ¥16,000 million

- Expand production capacity for 200mm prime wafers

FY12/19	FY12/20	FY12/21
¥16,000 million		— million

Phase 1 Plan

**200mm
prime wafers**

2019
70,000
wafers



2021
**220,000
wafers**

Investment Period: 2019-2021

Begin operations from 2021

Impact of Trade Friction Between the US and China: Regarding the Prime Wafer Business Undergoing Expansion in China

- RST's industry is dominated by Japan, Taiwan and South Korea. No genuine competitors stem from the United States. RST has helped raise the domestic production rate.

Competitive landscape of the global silicon wafer industry

The top two companies worldwide are major Japanese companies
They hold a market share of just under 60%

Following Japan, the countries with the highest shares are Taiwan, Germany and South Korea

No competition from the United States

- Unlike semiconductors, the United States government is not focused on the silicon wafer industry (the industry is not high-priority in terms of sanctions)

Chinese silicon wafer industry

Low domestic production rate
(about 10%)

Massive import surplus market

- National policies aimed at raising domestic production rate are a foregone conclusion
- Production capacity within China is currently being enhanced, but large issues concerning quality still exist and provision is limited.

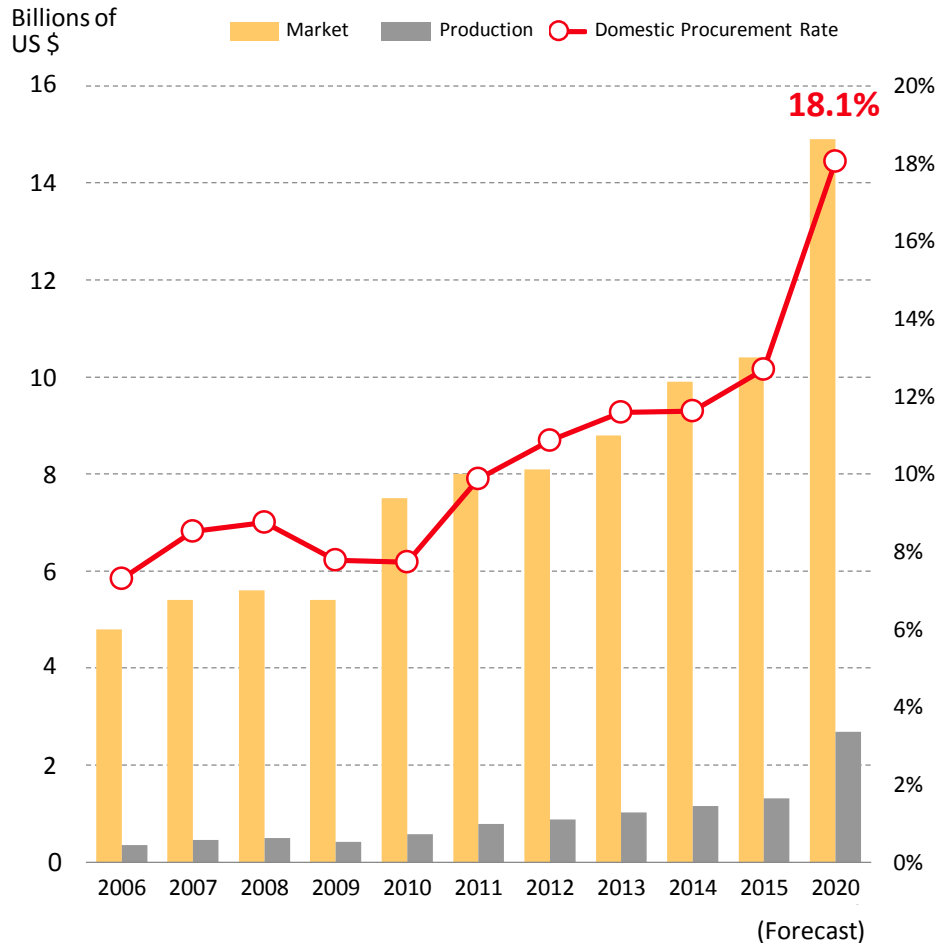
- GRITEK manufactures wafers primarily used for power semiconductors.
- Customers are primarily located in China, where most consumption of silicon wafers takes place.

The Company does not project and direct impact from trade friction between the US and China.

There is great opportunity for growth within China.

China's Semiconductor Policy : Aim to Raise the Domestic Production Rate

China's Semiconductor Market and Production



Source: SEMI, August 2017 Issue, Report 1

China's semiconductor consumption has grown to account for 40% of the world's total. However, its domestic production rate is around 10% of the consumption.



Raising the domestic production rate has become **an important policy issue.**

June 2014

Promotion of a National IC Industry Development Guidelines

May 2015

China Manufacturing 2025

[Excerpt]

China is aiming to improve the self-sufficiency rate for ICs in the nation to **40% in 2020**, and boost the rate further to **70% in 2025**.



Target is a domestic production rate of **40% by 2020**, and **70% by 2025**

Current circumstances:
Issues concerning quality remain despite rapid enhancement of production capacity.

Outlook for FY19

- Although wafer prices have been bearish, the Company achieved large increases in sales and income in FY12/18 thanks in part to improvements in yield rate and projects further increases in FY12/19.

(Millions of Yen)	FY12/18 (Jan.-Dec. 2018)	FY12/19 Forecast (Jan.-Dec. 2019)	YoY	
			YoY	YoY%
Net sales	25,478	28,688	3,120	12.6
Operating income	5,751	5,971	220	3.8
Operating income ratio	22.6%	20.8%	(1.8)pt	
Ordinary income	6,141	6,151	10	0.2
Ordinary income ratio	24.1%	21.4%	(2.7)pt	
Net income attributable to owners of the parent	3,620	3,621	1	0.0
Net income per share (Yen)	294.80	282.72	(12.08)	(4.1)
Annual dividend (Yen)	10	10	—	—

(Millions of Yen)	RS		Taiwan Subsidiary		Beijing Subsidiary		Other Subsidiary	Consolidated Total	
	YoY	YoY	YoY	YoY	YoY	YoY			
Net sales	10,101	(4.3)%	3,271	12.6%	11,867	(0.43)%	3,449	28,688	+12.6%
Operating income	2,025	(23.0)%	935	(3.8)%	2,786	35.9%	225	5,971	+3.8%
Operating income ratio	20.0%	(4.9)pt	28.6%	(4.9)pt	23.5%	+6.3pt	6.5%	20.8%	(1.8)pt

Appendix

Company Overview

- Holds the top market share worldwide in semiconductor wafer reclamation at 30%
- Conducting a full-scale advance into the prime wafer business through a joint venture with a Chinese state-owned company
- Expanding into peripheral business fields expected to produce synergy through M&A

Company name	RS Technologies Co., Ltd.
Date of establishment	December 10, 2010
Corporate principles	“Respect the global environment, earn the trust of people, and constantly strive to create.”
Business	Silicon Wafer Reclaim, Silicon Wafer Oxide Film Coating, Silicon Wafer Sales. Solar Power Station. Purchase and sale of used semiconductor equipments. Sale of chemical materials and semiconductor parts. Technical assistance and education service on semiconductor wafer manufacturing process.
Head office	1-47-1, Ohi, Shinagawa-ku, Tokyo 140-0014 JAPAN
Factory	26-2, Yamazaki, Sanbongi Otonashi, Osaki, Miyagi 989-6313 JAPAN
Capital	JPY 524,300 thousand (As of end December 2018)
President and CEO	Nagayoshi Ho
Consolidated subsidiaries	RSTEC Semiconductor Taiwan Co.,Ltd Founded in February 2014, Capital : NT \$300 million
	Beijing GRINM RS Semiconductor Materials Co., Ltd. (Beijing, China) Registered capital US \$138 million Stake 45%
	Union Electronics Solutions Co., Ltd. Capital ¥27 million Stake 100%
	DG Technologies Co., Ltd. Capital ¥100 million Stake 100%

History

- Launched business in 2010 and holds top share worldwide in the silicon wafer reclamation business
- Converted a major Chinese prime wafer manufacturer into a consolidated subsidiary in 2018 and became a comprehensive manufacturer of wafers

Dec. 2010	RS Technologies established in Shinagawa-ku, Tokyo, with silicon wafer reclamation as its primary business
Jan. 2011	Operations begun at the Sanbongi Factory
Nov. 2011	Sanbongi Factory acquires ISO9001:2008 certification from UKAS
Mar. 2013	Equipment sales begun
Oct. 2013	Solar power business begun at the Sanbongi Factory
Feb. 2014	RSTEC Semiconductor Taiwan established as a subsidiary in Taiwan (currently a consolidated subsidiary)
Mar. 2015	RST listed on the Tokyo Stock Exchange Mothers Market
Jun. 2015	Fab8 completed at Sanbongi Factory, with cutting-edge equipment allowing reclamation of 450mm wafers
Oct. 2015	RST achieves annual growth of 1299.53%, ranks third in the 13th Deloitte Touche Tohmatsu LLC Japan Technology Fast 50
Dec. 2015	Tainan Factory completed for RSTEC Semiconductor Taiwan (currently a consolidated subsidiary)
Sep. 2016	RST moved to the TSE First Section
Dec. 2017	Joint venture agreement concluded with General Research Institute for Nonferrous Metals (GRINM) and Fujian Kuramoto
Jan. 2018	Beijing GRINM RS Semiconductor Materials Co., Ltd. (BGRS) established; Chinese prime wafer manufacturer Youyan Semiconductor Material Company Limited made a consolidated subsidiary
May 2018	Acquired 100% of shares at Union Electronics Solutions Co., Ltd. (distributor for Hitachi Power Semiconductor Device, Ltd.)
Aug. 2018	Established GRITEK , a consolidated subsidiary of GRINM Semiconductor Materials Co., Ltd.
Jun. 2019	Acquired 100% of shares at DG Technologies Co., Ltd.

Strengths of CEO Nagayoshi Ho

- President and CEO Nagayoshi Ho has knowledge gained from over 20 years in Japan, as well as strengths in sales, personal connections, solution proposals, and financing throughout the world through his business network.
- President Ho has assembled a team of professionals from a broad range of fields including advanced technology and finance.



Nagayoshi Ho, center front (taken September 2016 at TSE)

Nagayoshi Ho

b. 1970 in Fujian Province, China

Completed Josai International University Graduate Program

Specialty fields:

M&A, business alliances

(successful M&As with more than 10 companies)

1998 Established Eiki Shoji Co., Ltd.

2010 Established and appointed president of RTS
(current position)

Favorite maxim: **Where there is a will, there is a way**

Supplementary information:

Nagayoshi Ho came to Japan after graduating high school. He has invested in more than 20 companies in Japan and abroad. In addition to semiconductors, he has experience investing in a range of businesses, including investment funds, trade, hotels, IT, and agriculture. He has traveled the world promoting his belief that Japanese manufacturing is the best in the world.

Year-by-Year Results

(Millions of Yen)	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
Net sales	3,475	4,566	5,285	8,864	10,932	25,478
Gross profit	1,173	1,820	1,852	2,544	4,252	8,366
Selling, general and administrative expenses	471	654	791	958	1,269	2,615
Operating income	703	1,166	1,061	1,585	2,982	5,751
Ordinary income	819	1,247	770	1,444	3,159	6,141
Net income	525	664	143	861	2,113	3,620
Dividend (Yen)	—	—	—	10	5	10
Capital investment	338	3,503	4,665	209	95	1,330
Depreciation	87	103	326	682	714	1,298
Research and development expenses	1	6	11	85	183	501
Number of employees (Regular employees)	152	191	265	373	434	1,159

*Financial figures for FY12/15, FY12/16 and FY12/17 are revised figures released on March 5, 2019.

Principal Financial Statements

(Millions of Yen)	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
Assets						
Current Assets	1,811	2,759	3,732	5,348	7,388	26,208
Cash and cash equivalent	397	1,190	1,842	1,952	3,243	14,879
Notes and accounts receivable - trade	681	696	795	2,531	2,916	6,958
Merchandise and finished goods	396	376	361	348	446	1,344
Non-current assets	508	4,064	5,845	5,333	4,843	10,510
Property, plant and equipment	461	3,918	5,667	5,152	4,674	8,964
Intangible assets	19	15	29	23	19	1,100
Investments and other assets	27	130	148	158	149	447
Total Assets	2,320	6,823	9,577	10,682	12,231	36,719
Liabilities						
Current liabilities	960	2,292	2,295	2,993	3,370	4,979
Notes and accounts payable - trade	138	151	186	283	398	1,554
Interest-bearing debt	136	827	1,216	1,538	1,276	976
Non-current liabilities	709	2,934	4,798	4,317	3,335	2,602
Long-term loans payable	615	2,925	4,079	3,620	2,767	1,849
Total Liabilities	1,670	5,227	7,093	7,310	6,705	7,581
Net assets						
Net assets	649	1,596	2,483	3,371	5,526	29,138
Total Liabilities and Net Assets	2,320	6,823	9,577	10,682	12,231	36,719

*Financial figures for FY12/15, FY12/16 and FY12/17 are revised figures released on March 5, 2019.

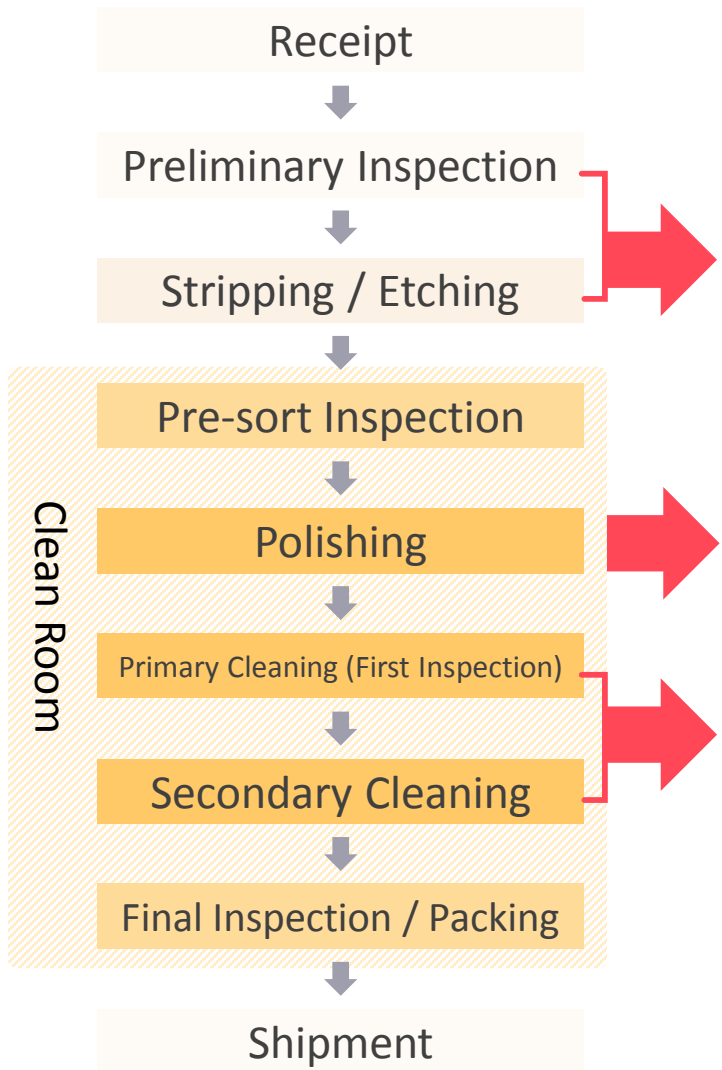
*FY12/13 figures are non-consolidated

Performance by Segment

(Millions of Yen)	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18
Net sales						
Wafer Business	3,347	4,414	5,107	7,144	9,487	10,973
Prime wafer manufacturing and sales business	—	—	—	—	—	11,918
Purchases and Sales of Semiconductor Equipment Business	—	—	—	1,654	1,393	2,918
Other, adjustments	127	151	178	66	52	(331)
Segment profit						
Wafer Business	916	1,444	1,377	1,765	3,396	4,012
Prime wafer manufacturing and sales business	—	—	—	—	—	2,049
Purchases and Sales of Semiconductor Equipment Business	—	—	—	230	130	366
Other, adjustments	(214)	(278)	(316)	(409)	(543)	(675)
Segment assets						
Wafer Business	1,337	5,040	6,987	5,657	8,120	9,150
Prime wafer manufacturing and sales business	—	—	—	—	—	21,313
Purchases and Sales of Semiconductor Equipment Business	—	—	—	1,137	1,305	1,939
Other, adjustments	982	1,783	2,589	3,887	2,805	4,315

*Financial figures for FY12/15, FY12/16 and FY12/17 are revised figures released on March 5, 2019.

Reclaimed Wafer Business (1)



Strength

1

Able to strip all films

- Removed using chemical processes to minimize damage to surfaces

▶ Reclaimed many times ▶ Potential for greater cost reductions

Special (chemical) technique inherited from Rasa Industries



Polishing of scratches and uneven areas on the surface to make it smoother

Strength

2

Removal of metallic impurities

- Cleaning to remove minute particles and dirt on the wafer surface

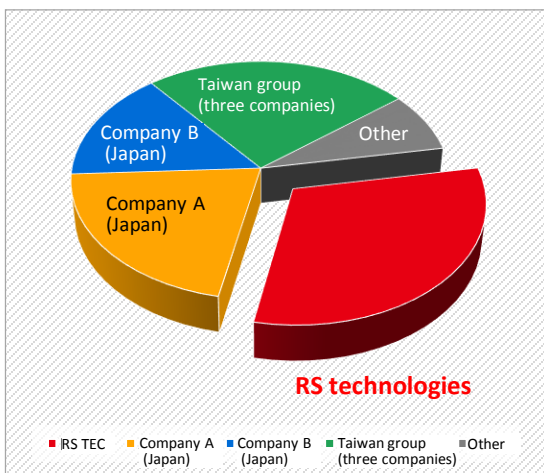
+ Removal of metallic impurities
Particular strength in removing copper (Cu)



Reclaimed Wafer Business (1)

Increasing Share of the Reclaimed Market

RS Technologies' Share of the 300mm Reclaimed Market



A new plant in Taiwan and expansion of the Sanbongi Factory increased production capacity, increasing our market share to 30%.

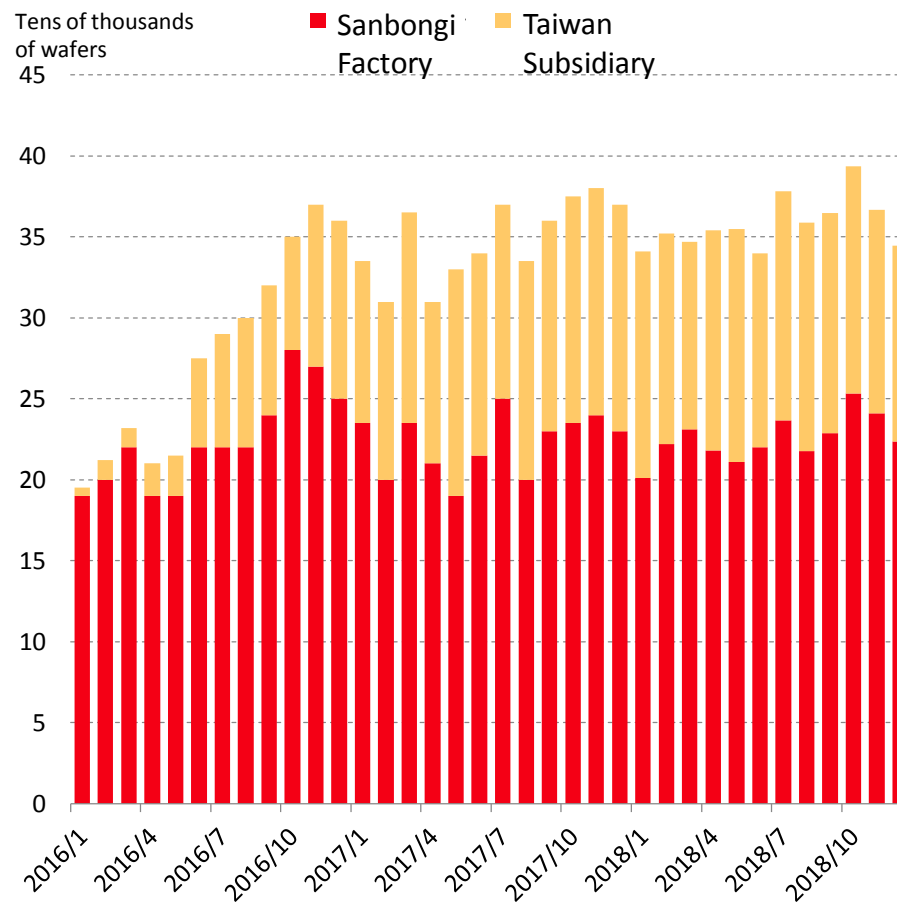
We will further enhance production capacity at both plants by using empty factories at Sanbongi, and utilizing business partnerships, M&A, and other means.

Aim to expand share to 40%

	FY12/15 1H	FY12/15 2H	FY12/16	FY12/17	FY12/18
RST Group Production Capacity	180,000 wafers	240,000 wafers	280,000 wafers	300,000 wafers	340,000 wafers
RST Group Market Share	19%	24%	29%	30%	31%

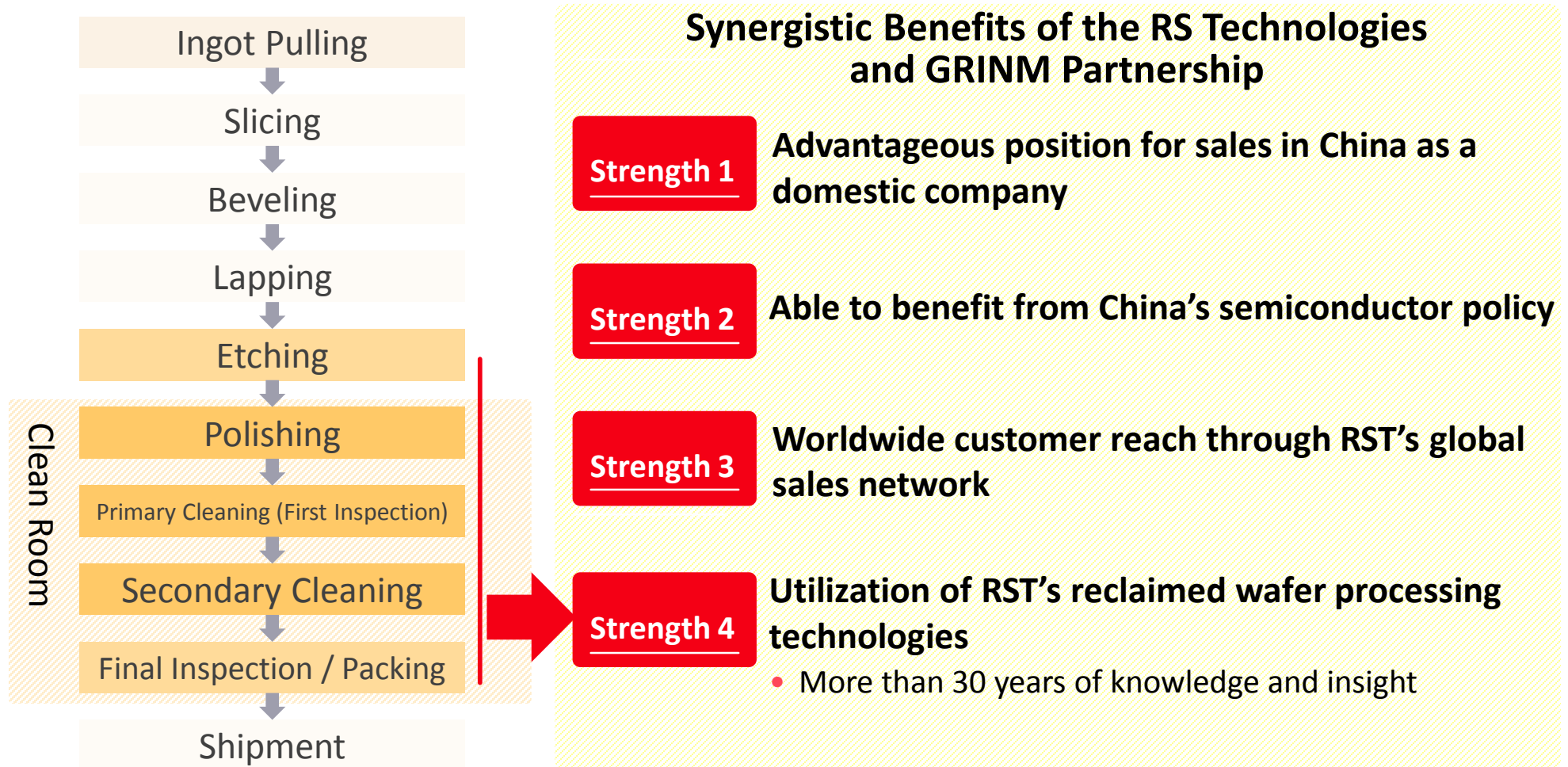
Shipments from the Sanbongi Factory and Taiwan Subsidiary (2016-2018)

Shipments of 300mm Wafers from the Sanbongi Factory and Taiwan Subsidiary



Entry into the Prime Wafer Business

- RS Technologies has established a joint venture with Chinese state-owned company General Research Institute for Nonferrous Metals (GRINM), and is developing its semiconductor business as a domestic Chinese company.



Concerning the Company's Joint Venture Partner in China

(General Research Institute for Nonferrous Metals [GRINM])

- Established in 1952, **GRINM is the largest state-owned research institute in China.**
- Out of the roughly 13 million companies in China, about 300 thousand are state owned. Out of these, about 88 are directly owned by the central national government and GRINM is one of these.
- GRINM is a research institute through which government, industry and science come together. Nonferrous metal policies of the central national government are transmitted through GRINM.
- GRINM established operating companies that serve as evidence of its successful research. Currently, 34 of these companies exist.
- GRITEK, a subsidiary of Beijing GRINM RS Semiconductor Materials Co., Ltd., an RST joint venture, was established as GRINM's first operating company in 2001.

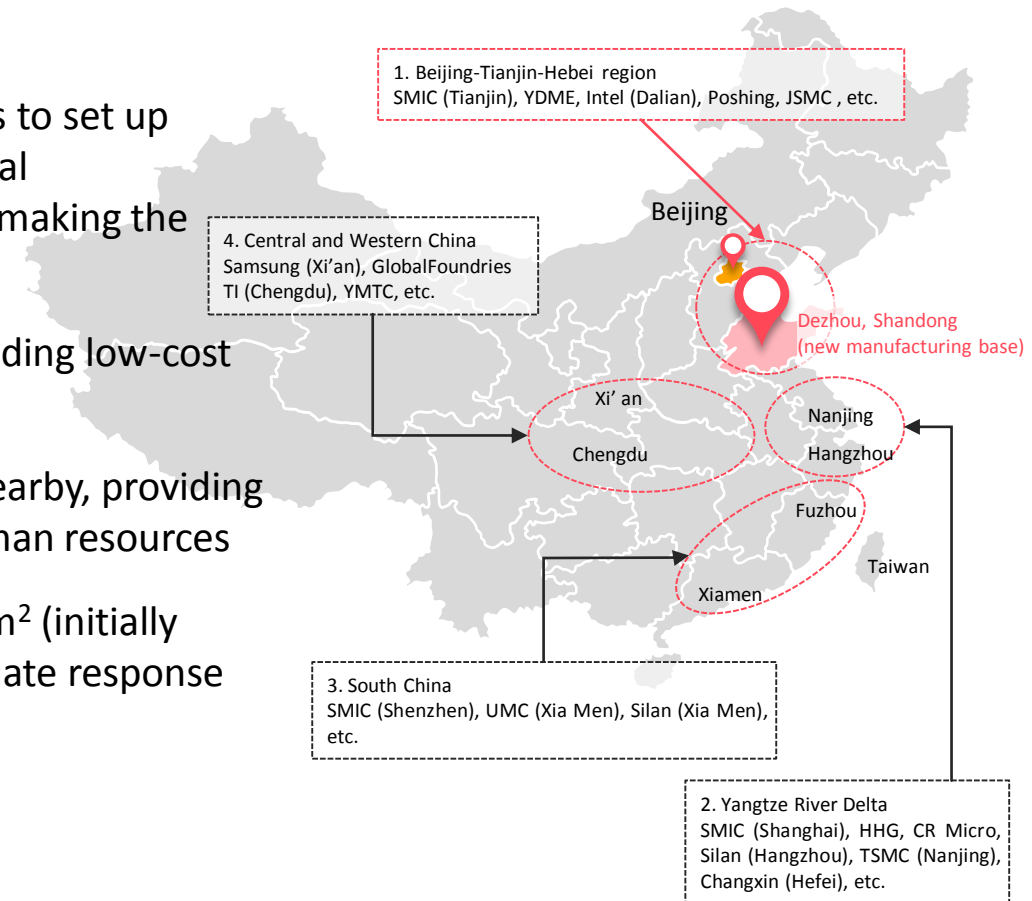


Establish Subsidiaries and Construct Factories through Partnership with the City of Dezhou in Shandong, China

- GRITEK, a consolidated subsidiary of RST, has formed a partnership with the City of Dezhou in Shandong, China
- Established a new company, GRITEK , on August 23, 2018

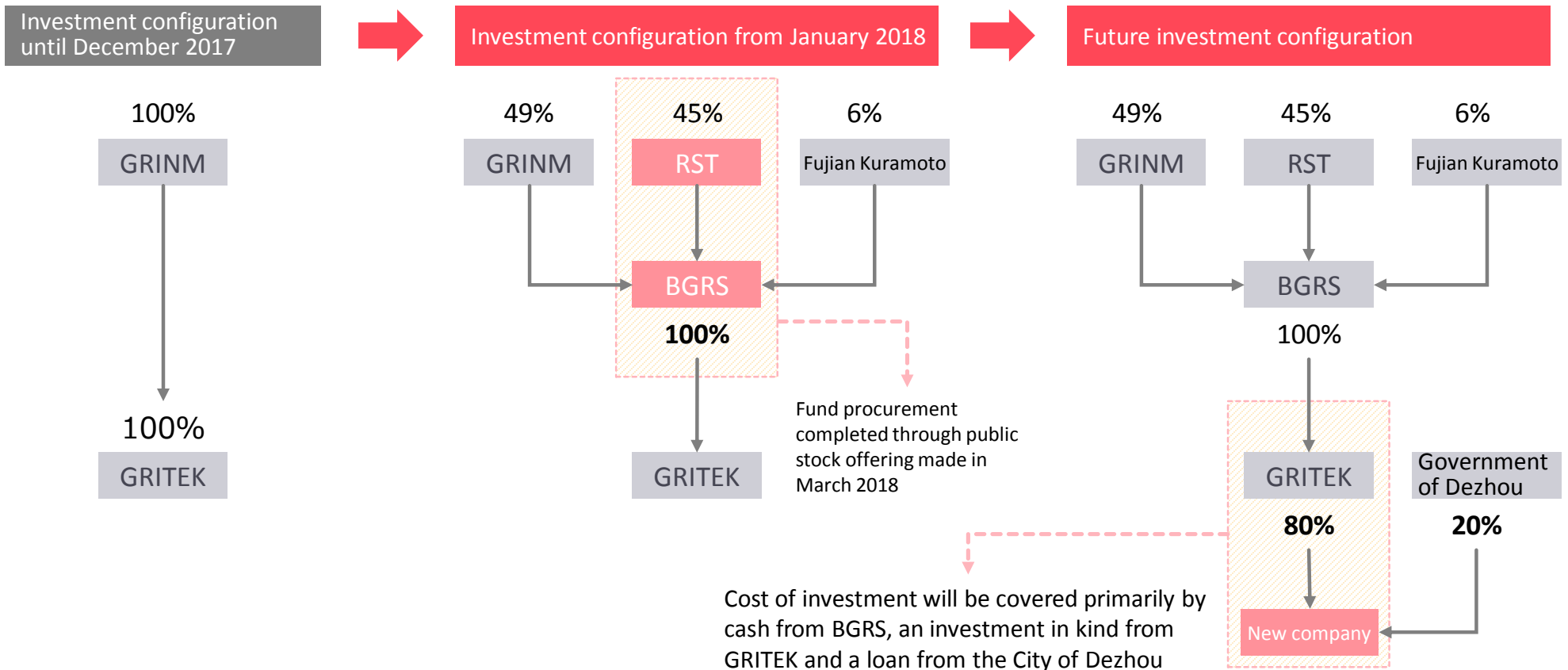
Background of Partnership

1. Invitations for major semiconductor manufacturers to set up factories in the area are gaining momentum. Several semiconductor manufacturers are located nearby, making the area a prime location (see image on the right)
2. GRITEK will be able to offer plentiful benefits, including low-cost company housing and reduced utility expenses.
3. Science and engineering universities are located nearby, providing favorable circumstances for acquiring superior human resources
4. Land expandable to a maximum of about 500,000m² (initially 200,000m²) has been procured, allowing for adequate response to future business progress in China



Investment Strategy

- GRITEK was a wholly-owned subsidiary of GRINM until 2017.
- The Company was planning to enter the prime wafer business and faced the necessity of adding a local company to the Group. In response to this need, RS and Fujian Kuramoto established BGRS in 2018 through cash investments, while GRINM contributed an investment in kind. BGRS subsequently converted GRITEK into a subsidiary.
- The Company will partner with the government of Dezhou in order to reduce capital investment risk and complete the establishment of a new company.



*Listed stakes are final and in accordance with investment agreements

Forward-looking Statements

The content of these materials was prepared based on generally recognized economic potential and certain assumptions considered reasonable by the Company, but is subject to revision without notice due to changes in the various business environments affecting management.

Materials and information provided for this announcement contain forward-looking statements. This information is based on assumptions pertaining to the current outlook, forecasts and risks, and contains uncertainties that could result in different outcomes.

Even in the case of new information, future events, or other relevant matters, the Company is under no obligation to update or revise the forward-looking statements contained in this material.