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Company name: RS Technologies Co., Ltd.

Name of representative: Nagayoshi Ho,

(Securities code: 3445; Prime Market)

Inquiries: Katsuya Tabuchi,

Manager of Corporate Planning

(Telephone: +81-3-5709-7685)

Summary of Q&A at Financial Results Briefing for the 1st Quarter of FY2025

This is a summary of the main questions we received from analysts and institutional investors regarding the financial results for the first quarter of the fiscal year ending December 2025 announced on May 13, 2025. Some of the content has been revised and added so that investors can understand better.

Q1: In the Wafer Reclaimed Business, sales increased and the operating profit margin decreased by 0.9 points from the previous quarter. (See page 6 and 36 of the Financial Results)

A1: In every first quarter, there are shorter working days than other quarter due to the New Year and Chinese New Year holidays. So, sales tend to affect sales growth. However, in the first quarter of 2025, sales increased from the previous quarter due to increased demand from customers, especially, for sales wafers. The cost of sales wafers varies depending on the condition at the time of purchasing. In this first quarter, the sales in the 1st quarter included more sales wafers with high cost ratios than the previous quarter. This was the main factor leading to a decline in the operating margin.

Q2: What is the current business environment for the Wafer Reclaimed business? (Financial Results, page13)

A2: Demand for reclaimed wafers continues to be strong and the business environment is favorable. From the second half of the fiscal year, the production capacity of the Sanbongi Plant and Taiwan Plant will be increased due to capital investment, but even after the capacity increase, both plants will be expected to run at full capacity.

Q3: What is the reason for the increase in the operating margin of the Prime Wafer Business by 1.8 points from the previous quarter? (Financial Results, page 6)

A3: Yield improvement through continuous measures to improve production efficiency contributed to the increase in the operating margin. In addition, the percentage of sales of silicon components, which has a high operating margin, increased.

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Q4: What is the current business environment for 8 inch prime wafers in China?

A4: Demand for our company is on the rise, and we are moving ahead with preparations for capital investment to increase production capacity in 2025. The overall 8-inch market in China is gradually shrinking in line with the growth of the 12-inch market, but as our main product is power semiconductors that can only be manufactured in 8-inch sizes, we have been able to capture solid demand.

Q5: What is the current status of the 12 inch prime wafer business (SGRS)?

A5: The 12-inch prime wafer market, for which SGRS is preparing for mass production, is currently in the introductory stage in China, so our decision-making policy of investments based on assessment of market demand remains unchanged. We are currently in the stage of shipping samples to major Chinese semiconductor manufacturers in order to obtain certification for our prime wafers. In the first quarter, we acquired certification for several processes, so we will continue to work hard on research and development and mass production preparations, and move forward with obtaining certification.

Q6: What was the reason for the increase in the share of the 12 inch wafer business SGRS (an equity-method subsidiary) from 20% to 28%? (Financial Results, page 42)

A6: We decided a capital increase in SGRS in order to strengthen the competitiveness of this business. The capital is mainly used for capital investment in expectation of mass production of 12inch prime wafer from 2027 in Chinese market. SGRS raised CNY 370 million in cash through Gritek. As of now, the SGRS'S stock ownership ratio turns to be 28.11%.

Q7: How much LE Systems contributed in the 1st Quarter of financial result? (Financial Results, page 5)

A7: As disclosed on January 23, 2025, approximately 300 million JPY of sales from the shipment of electrolytes to a large storage facility in Spain was included in the sales of semiconductor-related equipment and materials business in the 1st Quarter.

Q8: Please tell us the background of LE System's decision to establish its first manufacturing base in China. (Financial Results, page 23)

A8: China is the largest market for vanadium redox flow batteries (VRFB) and the market has been growing too rapidly to supply enough VRFB electrolytes. Our company has decided to establish its first Chinese manufacturing base in Dezhou, Shandong Province in order to enter into the largest market. As of now, we are preparing for construction of manufacturing facility for mass production which is scheduled to take place in 2026. In terms of the manufacturing location, we chose Dezhou because there are many new energy industries from Shandong Province and Dezhou City. Moreover, subsidies and project promotion support measures for VRFB from local government is another decisive factor.

Q9: Please tell us about the status of new business, RSPDH. (Financial Results, page 6,25)

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A9: The business results of RSPDH which became our group in December 2024 are included in the semiconductor-related equipment and materials business from this 1st Quarter. In the 1st Quarter, expenses such as system transfer incurred. Consequently, it affected RSPDH's operating income. Transfer expense is only affected in the 1st Quarter and it has no financial impact from the 2nd Quarter.

Q10: Please tell us about the progress of the medium-term management plan. (Explanation of Financial Results, page 9)

A10: We are making steady progress. No plan to revise the medium-term management plan for FY25.

Q11: Will there be any impact from the announcement of the U.S. reciprocal tariff? (Summary of Financial Statements, Page 34,44)

A11: The impact on our company will be minimal. Reclaimed wafers are currently not subject to tariffs. Even if the situation changes, the impact is expected to be limited as 4.2% of shipments to the United States of reclaimed wafers were shipped to the region (FY 2024).
As for the prime wafer business, we manufacture in prime wafers in China and sell them mainly in China, so the impact of these tariffs will be minimal.

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Financial Results for the First Quarter of the Fiscal Year Ending December 2025

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