

November 26, 2024

(Progress of a Disclosed Item) Notice of the Acquisition of Shares in a Subsidiary Manufacturing Power Semiconductor Substrates (FLH) by Our Chinese Subsidiary Operating the Parts Cleaning Business (FTSVA)

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter “the Company”) announces that, at the meeting of the Board of Directors held yesterday, the Company has decided to agree with and approve the following matters regarding the conclusion of a share purchase agreement (hereinafter “the Transaction”) between Ferrotec (Anhui) Technology Development Co., Ltd. (hereinafter “FTSVA”), a consolidated subsidiary listed on ChiNext of the Shenzhen Stock Exchange, and Jiangsu Ferrotec Semiconductor Technology Co., Ltd. (hereinafter “FLH”), a subsidiary manufacturing insulating substrates for power semiconductors, through the issuance of shares and convertible bonds.

This announcement is made as part of the progress of the matter disclosed on October 16, 2024 with “Notice of the Start of Discussions about the Acquisition of Shares of a Subsidiary Manufacturing Power Semiconductor Substrates by Our Chinese Subsidiary Operating the Parts Cleaning Business.”

1. Matters resolved at the Board of Directors’ meeting today

- (1) The Company and Shanghai Shenhe Investment Co., Ltd. (hereinafter “FTS”), a direct shareholder of FTSVA, agree that FTSVA will carry out the Transaction after obtaining approval from the general meeting of shareholders of FTSVA, passing the Shenzhen Stock Exchange’s examination, and receiving approval from the China Securities Regulatory Commission for registration.
- (2) FTS, which is a direct shareholder of FTHD and FTSVA, will agree that FTSVA will conduct a public offering of shares at a maximum amount of 782,593,800 yuan (approx. 16.8 billion yen).
- (3) Approval of FTS, a shareholder of FLH, for entering into an FLH’s share transfer agreement with FTSVA in exchange for shares
- (4) Approving the conclusion of a profit indemnity agreement with FTSVA for the transfer of FLH’s shares by FTS

*In this resolution, Representative Director He Xian Han invested in FTSVA and FLH and is in a joint investment relationship with FTHD. Therefore, he did not participate in this resolution because he is a director having a special stake.

2. Regarding the Transaction: See Appendix for a post-transfer capital structure chart and an acquisition structure.

(1) Details of the Transaction	·To conclude a share transfer agreement for FTSVA to purchase FLH’s shares and to issue and deliver FTSVA’s shares and FTSVA’s convertible bonds to shareholders of FLH ·A public offering of shares by FTSVA ·To conclude a profit indemnity agreement with FTSVA in relation to the transfer of FLH’s shares by FTS		
(2) Valuation of FLH’s shares	6.55 billion yuan (approx. 140.3 billion yen) *The share valuation was performed by a third-party, Jin Zheng (Shanghai) Asset Valuation Co., Ltd., a major certified valuation company.		
(3) Issuance of FTSVA’s convertible bonds	Issue price	16.3 yuan (approx. 349 yen) (Not less than 80% of the market reference price in accordance with the exchange market regulations. Market reference price = 80% of the average in the 20 days before the Board of Directors’ meeting of FTSVA in October)	
	Bond maturity	4 years from the date of issuance	
	Interest rate	0.01%	
	Mandatory conversion	If the closing price of the listed company’s shares for at least 20 of the 30 consecutive trading days does not drop below 150% of the share conversion price for the current fiscal year, the Board of Directors of the listed company may submit a mandatory conversion proposal for a vote at the general meeting of shareholders after 12 months from the closing date of the convertible bond issuance.	
(4) Issuance of shares and convertible bonds	Recipient	Subjects of the	Payment method (million yuan)

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		Transaction	Shares	Convertible bonds
	FTS	FLH's shares: 55.11%	3.61 billion yuan (approx. 77.3 billion yen)	
	Other shareholders	FLH's shares: 44.89%	2.58 billion yuan (approx. 55.3 billion yen)	360 million yuan (approx. 7.7 billion yen)
	Total	100% FLH's shares	6.19 billion yuan (approx. 132.6 billion yen)	360 million yuan (approx. 7.7 billion yen)
(5) Public offering of shares	Amount to be offered	Up to 782,593,800 million yuan (approx. 16.8 billion yen)		
	Purposes of use of funds	·Development of high-performance silicon nitride ceramic substrates (for AMB substrates) ·Production of ceramics for high-thermal-conductivity DPC substrates, etc.		
	Remarks	·At present, the number of shares to be issued and dilution ratio have not been determined, as they are within the above offered amount.		
(6) Profit indemnity agreement	Contract summary	If FLH's actual profit for the three-year period is less than the promised profit amount for the same period, FTS will reimburse FTSVA by repurchasing the shares whose number is calculated with the prescribed formula.		
	Calculation formula	Amount to be compensated in the current fiscal year = (Approved cumulative net profit until the end of the current fiscal year - Cumulative net profit achieved until the end of the current fiscal year)/Total net profit approved for each year in the compensation period - Cumulative amount compensated (if any) Number of shares to be compensated in the current fiscal year = Amount to be compensated in the current fiscal year/Issue price of the shares issued accordingly		
	Procedure	In the event of a situation in which FTS has to pay compensation for shares, FTSVA will hold a general meeting of shareholders and FTSVA will repurchase and cancel the shares to be compensated by FTS for the current year at the total price of 1.00 yuan.		
	Provisions for force majeure clauses	These include, but are not limited to, floods, fires, typhoons, earthquakes, strikes, riots, wars, national laws, and policy adjustments.		
(7) Change in FTS investment ratio after the Transaction		Current status: FTS investment ratio	⇒	After the Transaction: FTS investment ratio
	FTSVA	50.24%		51.46%*
	FLH	55.11%		-
*The investment ratio may change slightly due to changes in the number of shares to be issued through public offering.				
(8) Remarks	·We have confirmed with the local law firm that there are no legal issues with the scheme for the Transaction. ·According to exchange regulations, performance compensation (the conclusion of the aforementioned profit indemnity agreement) is a prerequisite for the Transaction to be fulfilled. Therefore, if FLH's performance is below the anticipated level, FTS, the controlling shareholder, will be responsible for the risk.			

*1 Chinese yuan = 21.42 yen

*For further details, please refer to the website of the Shenzhen Stock Exchange in China.

<https://www.szse.cn/certificate/individual/index.html?code=301297>

<http://www.cninfo.com.cn/new/disclosure/stock?stockCode=301297&orgId=9900052697#latestAnnouncement>

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3. Our views on the Transaction

·Integration of FTSVA and FLH through the Transaction will secure a certain scale, enhance the value of FTSVA's shares as a listed company, and increase the value of the business owned by the Company. Therefore, we believe that the Transaction will improve our corporate value and diversify our fund procurement of the Company.

·Although the profit indemnity agreement (FLH performance compensation) is a regulatory requirement, the Company recognizes that the risks associated with this agreement can be controlled in light of the future outlook for the power semiconductor substrate business and the company's ability to manage its business.

4. Schedule (tentative)

November 25, 2024	Shareholders of FTSVA and FLH (FTS, etc.) sign an FLH's share transfer agreement.
December 31, 2024	General meeting of shareholders of FTSVA
January 15, 2025	Application to the Shenzhen Stock Exchange
March 31, 2025	Issuance of new shares/convertible bonds and implementation of share transfer

*Scheduled date may change depending on the status of the screening.

5. Overview of subsidiaries

(1) FTSVA as of September 30, 2024

(1)	Name	Ferrotec (Anhui) Technology Development Co., Ltd. (FTSVA)	
(2)	Address	18 NanHai Road, Jinqiao Economic Development Zone, Tongling City, Anhui Province, People's Republic of China	
(3)	Title and name of representative	He Xian Han, Representative Director	
(4)	Contents of business	High purity process tool parts cleaning service for semiconductors and FPDs	
(5)	Capital	338,390,000 yuan (approx. 7.2 billion yen) (1 Chinese yuan = 21.42 yen)	
(6)	Date of establishment	December 26, 2017	
(7)	Major shareholders and shareholding ratio		Shareholding ratio
		Shanghai Shenhe Investment Co., Ltd. (FTS)	50.24%
(8)	Relationship between FTSVA and the company	Capital relationship	FTSVA is a subsidiary, 50.24% of whose voting rights are held by FTS, which is a consolidated subsidiary of the Company.
		Personnel relationship	Representative Director of the Company concurrently serves as the director of FTSVA.
		Business relationship	None applicable

(2) FLH as of September 30, 2024

(1)	Name	Jiangsu Ferrotec Semiconductor Technology Co., Ltd. (FLH)	
(2)	Address	No.18 Hongda Road, Chengdong New District, Dongtai City, Jiangsu Province, People's Republic of China	
(3)	Title and name of representative	He Xian Han, Representative Director	
(4)	Contents of business	Manufacture and sale of power semiconductor substrates	
(5)	Capital	417,074,000 yuan (approx. 8.9 billion yen) (1 Chinese yuan = 21.42 yen)	
(6)	Date of establishment	March 16, 2018	
(7)	Major shareholders and shareholding ratio		Shareholding ratio
		Shanghai Shenhe Investment Co., Ltd. (FTS)	55.11%
(8)	Relationship between FLH and the company	Capital relationship	FLH is a subsidiary, 55.11% of whose voting rights are held by FTS, which is a consolidated subsidiary of the Company.
		Personnel relationship	Representative Director of the Company concurrently serves as the director of FLH.
		Business relationship	None applicable

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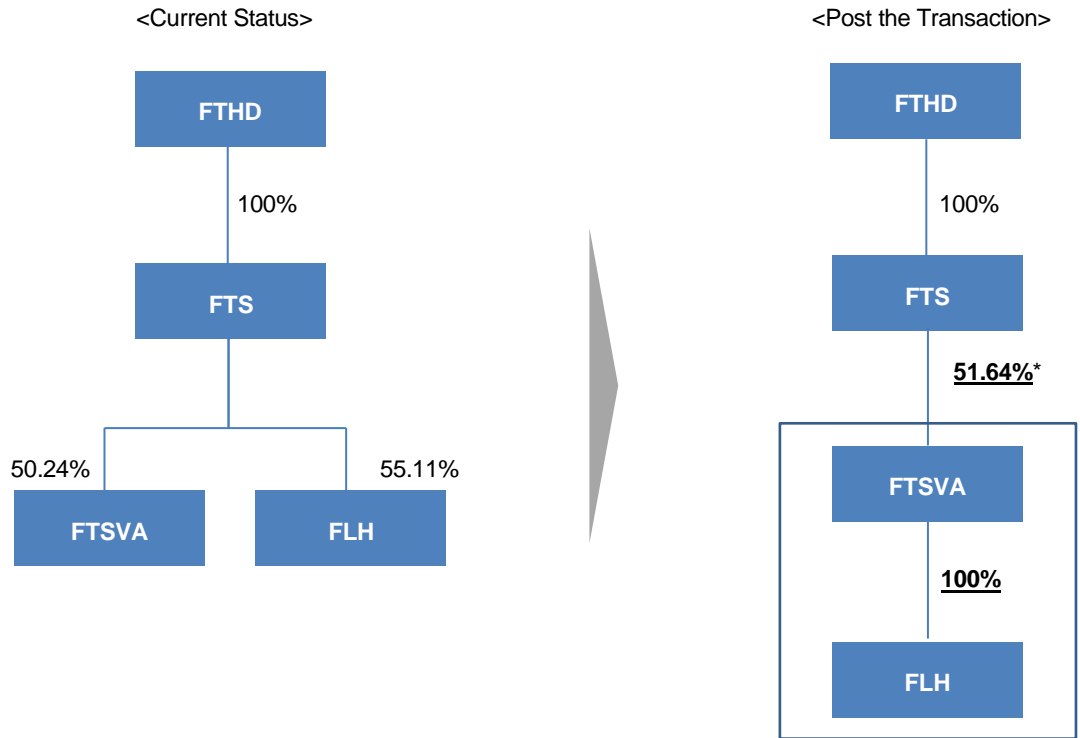
		relationship	
(3) FTS as of September 30, 2024			
(1)	Name	Shanghai Shenhe Investment Co., Ltd. (FTS)	
(2)	Address	181 ShanLian Road, BaoShan Urban Industrial Garden, Shanghai, People's Republic of China	
(3)	Title and name of representative	He Xian Han, Representative Director	
(4)	Contents of business	Quality control, management of technological R&D, marketing management, manufacturing management, management of funds, brand management, and other related businesses	
(5)	Capital	2,652,230,000 yuan (approx. 56.8 billion yen) (1 Chinese yuan = 21.42 yen)	
(6)	Date of establishment	May 17, 1995	
(7)	Major shareholders and shareholding ratio	Ferrotec Holdings Corporation: 100%	
(8)	Relationship between FTS and the Company	Capital relationship	A wholly-owned consolidated subsidiary of the Company
		Personnel relationship	Representative Director of the Company concurrently serves as the director of FTS.
		Business relationship	Purchase agency business, debt guarantee and lending of funds

6. Future outlook

The impact on the business performance of the Company for the current fiscal year through this matter is not yet determined. However, we will promptly disclose relevant items as soon as they are confirmed.

<Appendix>

I. Capital structure (underlined areas subject to change)



*The investment ratio may change slightly due to changes in the number of shares to be issued through public offering.

II. Acquisition structure

