

Notice of Capital Investment (Construction of a New Factory) in Malaysia

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter “the Company”) announces that, at the meeting of Board of Directors held today, we have resolved to invest a total of 226.4 million dollars (approx. 33.3 billion yen) in the construction of a new factory as the second factory for Ferrotec Manufacturing Malaysia Sdn. Bhd. (hereinafter “FTMM”), which is a manufacturing subsidiary in northern Malaysia. Details are as follows.

1. Background of Capital Investment

- The demand for semiconductors is expected to increase steadily with the advancement of AI and power-efficient computing. Changes in key industry trends such as high-performance logic, DRAM, high-bandwidth memory and advanced packaging are likely to continue driving investments in semiconductor manufacturing equipment, particularly front-end semiconductor manufacturing equipment (WFE: Wafer Fab Equipment), which is used to form electronic circuits.
- Meanwhile, major customers from Europe and the U.S. are increasingly seeking to acquire production capacity outside of China due to the current heightened geopolitical risks. In this context, FTMM, which was established in 2022 as a mass production base for semiconductor equipment-related products in Malaysia, began production in January 2024 and has been steadily increasing its production volume. It has been successful in meeting the demand of major customers from Europe and U.S. who have expanded into the country to set up manufacturing bases, as initially planned.
- However, we acknowledge that FTMM’s current production capacity is insufficient to meet demand beyond 2026. In fact, our customers had already begun requesting expanded production capacity even before the current factory became operational. We see this as a major business opportunity in quartz, ceramics, and contract manufacturing services, and have therefore decided to expand production capacity.

2. Overview of capital investment

<p>(1) Proposed investment amount and funding plan</p>	<p>226.4 million dollars (approx. 33.3 billion yen) *1 US dollar = 146.91 yen [Breakdown] Factory building: Approx. 103.2 million dollars (approx. 15.2 billion yen) Machinery and equipment: Approx. 123.2 million dollars (approx. 18.1 billion yen) [Funding plan]</p> <table border="1" data-bbox="627 1406 1430 1843"> <thead> <tr> <th>million dollars (billion yen)</th> <th>FY 26/3</th> <th>FY 27/3</th> <th>FY 28/3</th> <th>FY 29/3</th> <th>Total</th> </tr> </thead> <tbody> <tr> <td>Building</td> <td>30.9 (4.5)</td> <td>61.9 (9.2)</td> <td>10.4 (1.5)</td> <td>-</td> <td>103.2 (15.2)</td> </tr> <tr> <td>Machinery and Equipment</td> <td>-</td> <td>44 (6.4)</td> <td>61.7 (9.1)</td> <td>17.5 (2.6)</td> <td>123.2 (18.1)</td> </tr> <tr> <td>Total</td> <td>30.9 (4.5)</td> <td>105.9 (15.6)</td> <td>72.1 (10.6)</td> <td>17.5 (2.6)</td> <td>226.4 (33.3)</td> </tr> </tbody> </table>	million dollars (billion yen)	FY 26/3	FY 27/3	FY 28/3	FY 29/3	Total	Building	30.9 (4.5)	61.9 (9.2)	10.4 (1.5)	-	103.2 (15.2)	Machinery and Equipment	-	44 (6.4)	61.7 (9.1)	17.5 (2.6)	123.2 (18.1)	Total	30.9 (4.5)	105.9 (15.6)	72.1 (10.6)	17.5 (2.6)	226.4 (33.3)
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<p>(2) Items manufactured</p>	<p>Quartz, ceramics, and contract manufacturing services</p>																								
<p>(3) Factory area</p>	<p>Site area: Approx. 80,900 m² Building area: Approx. 90,800 m² [Breakdown] Quartz: approx. 32,600 m², ceramics: approx. 28,900 m², contract manufacturing services: approx. 14,200 m², office, etc.: approx. 15,100 m²</p>																								

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(4)	Schedule	Start of construction: April 2025 Building completion: June 2026 Attainment of building certification: July 2026 Completion of machine installation: August 2026
(5)	Scheduled date of start of operation	September 2026

3. Overview of the manufacturing subsidiary as of December 31, 2024

(1)	Name	Ferrotec Manufacturing Malaysia Sdn. Bhd. (FTMM)	
(2)	Address	Kulim, Kedah, Malaysia	
(3)	Title and name of representative	Takeru Yamamura, President & CEO	
(4)	Contents of business	Contract manufacturing services, robot assembly, processing and manufacturing of quartz and ceramics, etc.	
(5)	Capital	215,511,000 US dollar (approx. 31.7 billion yen) *1 US dollar = 146.91 yen	
(6)	Date of establishment	April 13, 2022	
(7)	Major shareholders and shareholding ratio	Shareholders	
			Shareholding ratio
		Ferrotec (USA) Corporation (FTU)	38.94%
		Ferrotec Holdings Corporation	31.86%
		Hangzhou Dahe Thermo-Magnetics Co., Ltd. (FTH)	29.20%
(8)	Relationship between FTMM and the companies	Capital relationship	A wholly-owned consolidated subsidiary of the Company
		Personnel relationship	The director of the Company concurrently serves as director of the subsidiary.
		Business relationship	None applicable

4. Future outlook

The impact on the business performance of the Company for the current fiscal year through this matter is expected to be minor. However, we will promptly disclose relevant items as soon as they are confirmed.