

April 16, 2019

Notice of Withdrawal from CVD-SiC Business at Korean Subsidiaries

Ferrotec Holdings Corporation announces that we have decided to withdraw from the CVD-SiC business (hereinafter referred to as the "Business") of our Korean consolidated subsidiary Ferrotec Advanced Materials Korea Corporation (hereinafter referred to as "FTAK").

1. Background to withdrawal from the Business

In the Business, there have been a series of requests from semiconductor equipment manufacturers to increase production in line with the recent trend toward thinner and multilayered semiconductor chips. However, due to low-priced competition with competitors, it has become difficult to secure investment profits for certain products. Therefore, in 2016, we established FTAK in Tangjin City, Chungcheongnam-do, Korea (hereinafter referred to as the "Administration"), where measures to attract foreign investment is enhanced, and proceeded with preparations for mass production while proceeding with the development of a new type of CVD furnace that can respond to cost reductions and mass production.

However, as we announced in our press release dated February 14, three former employees of FTAK Corporation were prosecuted by the Korean prosecutor for alleged violations of the Act on Prevention of Unfair Competition and Protection of Trade Secrets. As a result of our careful consideration of the possibility of continuing this business in FTAK, we decided to withdraw from the Business, and we intend to assert not guilty at the trial stage. However, in light of the recent judicial decisions of Japanese companies in Korea, we are concerned that the independence of the judicial decision in the country will not be fully guaranteed. With consideration of the impact on stakeholders, we have made this decision as minimizing potential risks at this stage is the most appropriate.

2. Outline of the consolidated subsidiary and businesses to be discontinued

| | | | | |
|-------|--|--|---------|---------|
| (1) | Name | Ferrotec Advanced Materials Korea Corporation | | |
| (2) | Location | 120 Songsan-myeon, Tangjin City, Chungcheongnam-do | | |
| (3) | Job Title/Name of Representative | Takeru Yamamura, President | | |
| (4) | Business content | Manufacturing, sales and development of CVD-SiC products ^(Note) | | |
| (5) | Capital | 16 KRW billion | | |
| (6) | Established | June 9, 2016 | | |
| (7) | Major shareholders and holding ratio (April 16, 2019) | Ferrotec Holdings Corporation 100% | | |
| (8) | Business results of the CVD-SiC business of the said corporation | | | |
| | Fiscal year | FY12/16 | FY12/17 | FY12/18 |
| Sales | | 0 KRW | 0 KRW | 0 KRW |

| | (0 yen) | (0 yen) | (0 yen) |
|------------------|--|---|--|
| | Ratio of consolidated sales: 0% | Ratio of consolidated sales: 0% | Consolidated results for the current fiscal year have not yet been disclosed as of April 16, 2019. |
| Gross profit | 0 KRW (0 yen) Ratio of consolidated gross profit: 0% | -1,270,575 Thousand KRW (-127,058 thousand yen) Ratio of consolidated gross profit: -0.5% | 10,560 Thousand KRW (1,060 thousand yen) Same as above |
| Operating income | -457,394 thousand KRW (-43,132 thousand yen) Ratio of operating income: 7.6% | -2,620,652 Thousand KRW (-262,065 thousand yen) Ratio of operating income: -3.1% | -3,764,015 Thousand KRW (-377,907 thousand yen) Same as above |
| Ordinary income | -456,165 thousand KRW (-43,016 thousand yen) Ratio of ordinary income: -0.8% | -4,195,573 thousand KRW (-419,557 thousand yen) Ratio of ordinary income: -5.9% | -3,796,645 thousand KRW (-381,183 thousand yen) Same as above |

*KRW = Korean won

***Treatment of Employees and Assets in CVD-SiC Business**

We are considering a business plan to convert the building, shared facilities and certain employees into other businesses.

3. Schedule

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| (1) Date of resolution of the Board of Directors | April 16, 2019 |
| (2) Date of withdraw from the Business | Undecided (to be withdrawn as soon as coordination with administrative authorities is made) |

4. Future outlook

- (1) We expect to incur losses of 400 million yen to 600 million yen from the disposal of CVD-SiC furnaces and other costs at this stage. However, additional losses may be incurred in the future as a result of a review of alternative business plans and negotiations with regulatory authorities. We will notify you as soon as the loss amount is determined.
- (2) In line with the withdrawal from the Business, we are currently considering other businesses in FTAK. As soon as a replacement project is decided and approved by the administrative authorities, we will promptly notify you of this matter.
- (3) The withdrawal was limited to this business in FTAK. Our 100% subsidiary Admap (Tamano City, Okayama Prefecture) continues to produce this product in Japan, and we will work to expand our business over the medium to long term in response to vigorous demand.

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(Note) CVD-SiC* refers to SiC (Silicon Carbide: silicon carbide) produced by CVD (CVD method in which gases containing silicon and carbon components are reacted to produce SiC). Because of its high purity, high corrosion resistance, high oxidation resistance, and high wear resistance, CVD-SiC products are used as jigs and consumables, such as vacuum etching equipment and film-forming vacuum equipment, which require processing at high temperatures, mainly using various gases in patterning processes in semiconductor manufacturing processes.