

Summary of Questions & Answers at the FY3/19 Financial Results Briefing for Institutional Investors and Media Members

- ◇ Date: May 27, 2019 (15:00-16:30)
- ◇ Location: Daiwa Conference Room, 18F, GRANTOKYO NORTH TOWER

Company name: Ferrotec Holdings Corporation

Q1: What is your outlook for the semiconductor manufacturing equipment market? Demand for memory devices is currently weak. Do you expect substantial capital investments centered on DRAMs to resume from the end of 2019?

A1: There appears to be a minor downturn in demand for DRAMs and NAND flash memories right now. But we do not believe the decline is significant. In our products for semiconductor manufacturing equipment, demand for our quartz and silicon parts moves up and down with the production levels of device manufacturers, because these products must be constantly replaced. As a result, we believe that demand for these products will be relatively firm. On the other hand, demand for our ceramic products depends largely on capital investments for manufacturing equipment. Therefore, we expect demand in this category to decline by about 20% to 30%.

We expect demand at companies that make semiconductor manufacturing equipment to start to increase slowly around September 2019. However, we think a cautious view is required regarding the capital investments of semiconductor device manufacturers because of U.S.-China trade friction and other reasons.

Q2: Please explain your view of the semiconductor wafer market. Apparently, prices of 6-inch (150mm) wafers have been decreasing since the end of 2018. Also, it appears that demand for 8-inch (200mm) wafers is soft. Please provide more information about this market, including an update on prices.

A2: For 6-inch wafers, there was one request from customers for price reduction negotiations and we were asked to cut the price by about 5%. For 8-inch wafers, since we are a new participant in this sector, when we prepared our budget for this business, our original plan included the assumption of price discount negotiations.

Q3: For 8-inch wafers, you said that your capacity utilization rate is approximately 80%. But your competitors are saying that large foundries in China are shifting to 12-inch (300mm) wafers. Please provide more information about this, including your market position in China.

A3: For 8-inch wafers, our capacity utilization rate is about 80% and the prime ratio is 80% (dummy wafers are 20%). Global Wafers in Taiwan (hereinafter referred to as “GWC”), which is a sales alliance partner, sells a substantial volume of these wafers in China and other countries. In China, we have strong relationships with device manufacturers because of our parts cleaning business and other activities. Due to these relationships, there is a possibility of using our own sales network for direct sales of our wafers, which would require the consent of GWC.

We provide test products for 8-inch wafers to most of the major Chinese device manufacturers and plan to receive certification.

In the 12-inch wafer category, all of our production will probably be dummy wafers at first. We have heard that the prime ratio is only about 50% (half are dummy wafers) even at our competitors that were first to start producing these wafers in China.

*This material is prepared by the Investor Relations and Public Relations Department of the Corporate Planning Department from the perspective of fair disclosure based on our Disclosure Policy.