

September 15, 2020

**Notice of Transfer of Some Shares of the Subsidiary that Manufactures Semiconductor Wafers**

Ferrotec Holdings Corporation (Representative Director, President, and Group CEO: He Xian Han; hereinafter “the Company”) announces that the Company resolved at a meeting of Board of Directors held today to transfer some shares (60% of voting rights) of Hangzhou Semiconductor Wafer Co., Ltd. (a major subsidiary that produces semiconductor wafers; hereinafter “FTHW”) that the Group possesses to Chinese local governments, private investment funds, etc. (hereinafter “the Transfer”) with the aim of listing FTHW in the Chinese stock market\*\*.

Details are as follows.

\*For the capital composition scheme, please see Appendix I.

\*\*It is assumed that FTHW will be listed in the Shanghai Stock Exchange and the Shenzhen Stock Exchange, but it is still to be determined.

**1. Reason for the Transfer, and purpose of the preparation for listing**

Since Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd. (hereinafter “FTS”), which is a consolidated subsidiary of the Group, launched the business of small-diameter semiconductor wafers (150 mm or less) in 2002, we have been waiting for an opportunity to enter the markets of medium-diameter (200 mm) and large-diameter (300 mm) semiconductor wafers, while accumulating production technologies, including the improvement of crystal quality technologies and the development of single-crystal pulling devices and crucibles by utilizing the technologies for the solar cell business. In 2016, FTS started the business of medium-diameter (200 mm) semiconductor wafers, and in 2017, Ferrotec (Ningxia) Semiconductor Wafer Co., Ltd. (hereinafter “FTSE”), which is a consolidated subsidiary, established a factory exclusively for single crystal ingots, so that we could produce wafers from ingots. Then, to further strengthen our business, we implemented corporate restructuring, spinning off the semiconductor wafer business of FTS to establish Shanghai Semiconductor Wafer Co., Ltd. (hereinafter “FTSW”), and reformed our organization, so that FTSW and FTSE would become subsidiaries of FTHW. In 2019, FTHW built the Hangzhou Dajiang Factory fab, which is a leading factory for semiconductor wafer business. At present, the Group can manufacture 880,000 wafers per month, and is recognized as one of leading semiconductor wafer manufacturers in China.

On the other hand, the semiconductor wafer business requires an enormous amount of capital investment, so its impact on the finance of the Group is significant. Accordingly, in order to expand our business further, it was imperative to diversify fund procurement methods, for example, by adopting external capital. Through the recent intensification of the U.S.-China trade friction, the trend of domestic production of semiconductors is being accelerated in China more rapidly than ever. The targets of domestic production are not limited to semiconductor manufacturing equipment, but also include components and materials for producing semiconductors. Especially, as for semiconductor wafers, which are major components of IC chips, China mostly depends on import. Accordingly, the increase in domestic production ratio is strongly demanded. In particular, 300-mm semiconductor wafers are used for memory logics, so the Chinese government is enriching financial aid, including tax benefits and subsidies, while recognizing such wafers as products targeted for strategic domestic production.

In this situation, the Group has been implementing various measures, including the diversification of fund procurement methods for increasing the production output of 300-mm semiconductor wafers, the improvement in the financial standing of the Group, and the securing of excellent personnel, while backed by the support from Chinese government’s policies.

As a result, we have made the above-mentioned resolution, after concluding that corporate value of the Company would be improved, if we solve managerial issues regarding fund procurement and human resources by aiming to list FTHW in the Chinese stock market and improve financial standing of the Group by selling some shares of FTHW to local governments, private investment funds, etc. in the process of capital policies for listing. As we will proceed with the capital policies for listing, there is a possibility that the capital contribution ratio of the Group to FTHW will fall below 40% and FTHW will be excluded from the scope of consolidation of the Group. In addition, the exact date of listing, etc. are still to be determined, and there is a possibility that we will fail to obtain necessary approval from Chinese authorities or stock exchanges. Furthermore, according to the changes in the stock market and the business environment during our preparation for listing or the results of discussions with capital alliance partners of FTHW, we may reach a conclusion that FTHW will not be listed.

## 2. Outline of the subsidiary to be transferred (FTHW) as of September 15, 2020

(1) Name	Hangzhou Semiconductor Wafer Co., Ltd.			
(2) Address	888 Dongken Road, Qiantang New District, Hangzhou, Zhejiang, China			
(3) Title and name of representative	He Xian Han, Representative Director			
(4) Contents of business	Manufacture and sale of semiconductor wafers			
(5) Capital	2.6 billion yuan (approx. 40.3 billion yen) [Current as of September 15, 2020] *The capital amount is to be increased to 2.9 billion yuan (approx. 43.5 billion yen) before the Transfer.			
(6) Date of establishment	September 28, 2017			
(7) Major shareholders and shareholding ratio		Current	After capital increase	After the Transfer
	Ferrotec Holdings Corporation	50.2%	45.0	-
	Hangzhou Dahe Thermo-Magnetics Co., Ltd. (consolidated subsidiary)	27.5%	35.0%	25.0%
	Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd. (consolidated subsidiary)	22.3%	20.0%	15.0%
	Jiashan Jiahe Equity Investment Partnership (Limited Partnership)	-	-	16.4%
(8) Relationship between FTHW and the companies	Capital relationship	FTHW is a consolidated subsidiary of the Company.		
	Personnel relationship	Two directors of the Company concurrently serve as the director and an audit member of FTHW.		
	Business relationship	Nothing is applicable.		
(9) Non-consolidated business performance and financial standing in the past 3 years (rounded down to the nearest thousand yuan or million yen)				
Accounting period	FY12/17	FY12/18	FY12/19	
Net assets	602,736,000 yuan (9,342 million yen)	1,557,077,000 yuan (24,134 million yen)	1,900,220,000 yuan (29,453 million yen)	
Total assets	603,616,000 yuan (9,356 million yen)	1,915,042,000 yuan (29,683 million yen)	3,438,824,000 yuan (53,301 million yen)	
Net assets per share	0.99 yuan (15.34 yen)	1.00 yuan (15.50 yen)	0.97 yuan (15.03 yen)	
Net sales	- (- million yen)	- (- million yen)	787,000 yuan (12 million yen)	
Net income (loss) attributable to owners of parent	-5,587,000 yuan (-86 million yen)	4,900,000 yuan (75 million yen)	-53,124,000 yuan (-823 million yen)	
Dividend per share	- (- million yen)	- (- million yen)	- (- million yen)	

Note 1: FTHW did not calculate consolidated financial results, including the results of its subsidiaries FTSW and FTSE, so the above business performance and financial standing are non-consolidated ones of FTHW.

Note 2: Exchange rate: Chinese yuan=15.50 yen

3. Outline of the companies that will receive the shares of FTHW

\*We are now gathering information on the capital, dates of establishment, major shareholders and shareholding ratio, representatives, and contents of businesses of the companies that will receive the shares of FTHW. As soon as they are collected, we will inform you.

	No. 1	No. 2
(1) Company name	Gongqingcheng Xingcheng Dongying semiconductor industry investment partnership (Limited Partnership)	Tongling State-owned Capital Operation Holding Group Co., Ltd.
(2) Relationship between FTHW and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(3) No. of shares to be transferred	176,538,088 shares (6.08%)*	88,269,044 shares (3.04%)*

\*Parenthesis represents shareholding ratio.

	No. 3	No. 4
(1) Company name	Tongling Dajiang Investment Holding	Tongling Construction Investment Holding Co., Ltd.
(2) Relationship between FTHW and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(3) No. of shares to be transferred	88,269,044 shares (3.04%)*	88,269,044 shares (3.04%)*

\*Parenthesis represents shareholding ratio.

	No. 5	No. 6
(1) Company name	Shanghai Free Trade Zone Equity Fund Management Co., Ltd.	Yangtze Optical Fibre and Cable Joint Stock Limited Company
(2) Relationship between FTHW and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(3) No. of shares to be transferred	44,134,522 shares (1.52%)*	220,672,610 shares (7.60%)

\*Parenthesis represents shareholding ratio.

	No. 7	No. 8
(1) Company name	Xiamen C&D Emerging Industry Equity Investment No.2 Partnership (Limited Partnership)	Shenzhen Penglinyang Investment Partnership (Limited Partnership)
(2) Relationship between FTHW and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(3) No. of shares to be transferred	74,410,804 shares (2.56%)*	46,880,100 shares (1.61%)*

\*Parenthesis represents shareholding ratio.

	No. 9	No. 10
(1) Company name	Jiashan Jiahe Equity Investment Partnership (Limited Partnership)	Jiaying Linzhi Equity Investment Partnership (Limited Partnership)
(2) Relationship between FTHW and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(3) No. of shares to be transferred	477,556,744 shares (16.4%)*	177,548,763 shares (6.12%)*

\*Parenthesis represents shareholding ratio.

	No. 11	No. 12
(1) Company name	Jiaying Yunchu No.2 Investment Partnership (Limited Partnership)	Jiaying Anyue Investment Partnership (Limited Partnership)
(2) Relationship between FTHW and the companies	There are no capital, personnel, or business relationships, and the	There are no capital, personnel, or business relationships, and the

	company does not belong to related parties.	company does not belong to related parties.
(3) No. of shares to be transferred	66,971,571 shares (2.30%)*	9,034,614 shares (0.31%)*

\*Parenthesis represents shareholding ratio.

	No. 13	No. 14
(1) Company name	Fujian Xuguang investment partnership (Limited Partnership)	Jiaxing Anyue Investment Partnership (Limited Partnership)
(2) Relationship between FTHW and the companies	There are no capital, personnel, or business relationships, and the company does not belong to related parties.	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(3) No. of shares to be transferred	36,445,052 shares (1.25%)*	145,000,000 shares (5.00%)*

\*Parenthesis represents shareholding ratio.

4. No. of shares to be transferred, capital contribution ratio, transfer price, and shareholding statuses before and after the Transfer

(1)	No. of shares held before the Transfer	2,900,000,000 shares (No. of voting rights: 2,900,000,000) (Ratio of voting rights: 100.0%*)
(2)	No. of shares to be transferred	1,740,000,000 shares (No. of voting rights: 1,740,000,000) (Ratio of voting rights: 60.0%*)
(3)	Transfer price	Estimated transfer price: 1,971,246,000 yuan (Approx. 29.6 billion yen) (Transfer price per share: 1.1329 yuan)
(4)	No. of shares held after the Transfer	1,160,000,000 shares (No. of voting rights: 1,160,000,000) (Ratio of voting rights: 40.0%*)

\*Includes the shares indirectly held by the Company

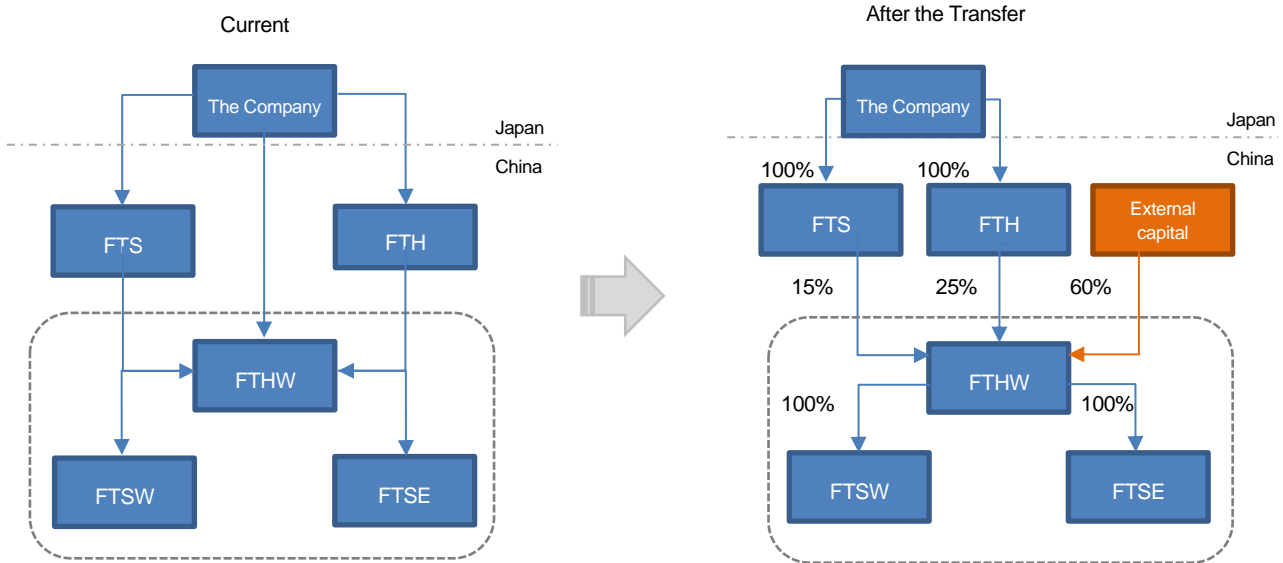
5. Dates of share transfer

(1) Date of resolution by the board of directors	September 15, 2020
(2) Date of share transfer agreement	September 15, 2020
(3) Payment date	October 15, 2020

6. Future outlook

The funds procured through the Transfer will be allocated to the repayment of interest-bearing debts, etc. related to the investment for the semiconductor wafer business. In addition, the effects of the Transfer on the performance of the Company and FTHW are being studied. If there emerges any item to be disclosed, including the transfer and listing of the subsidiaries of FTHW, we will disclose it immediately.

Appendix I: Capital composition scheme



\*FTH: Hangzhou Dahe Thermo-Magnetics Co., Ltd.

\*\*  : Semiconductor wafer business group

This document is a press release for public announcement in relation to future preparations to list our consolidated subsidiary called Hangzhou Semiconductor Wafer Co., Ltd. on the Chinese stock market. We did not prepare this document to solicit any kind of investment or for any similar activities. In addition, no part of this document should form or be relied on as the basis of contracts, promises or investment decisions relating to China, Japan, the United States and other regions. Accordingly, this document does not constitute or intend to be an offer for or a solicitation to acquire stocks or securities in any jurisdiction including the United States. It is not possible to offer and sell securities without registration or exemption from registration in the United States. The purchase of securities through public offering should be done based only on information included in the final offering memorandum or prospectus relating to those securities. The Company does not intend to make a public offering of securities in the United States at the present time.