

August 14, 2020

Notice of Preparations to List a Chinese Subsidiary on the Science and Technology Innovation Board (STAR Market)

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 start preparations to list its Chinese subsidiary called Ferrotec (Anhui) Technology Co., Ltd. (hereinafter “FTSA”) on the Science and Technology Innovation Board (STAR Market). Details are as follows.

1. Background and Purpose to Listing FTSA

The Group entered the high purity process tool parts cleaning service business for semiconductors and FPDs (hereinafter “the Cleaning Service Business”) in Shanghai in 2001. Since then, we have expanded our footholds to 5 business bases and 6 factories in Tianjin, Sichuan, Dalian and Anhui. We have now acquired a leading position driving the Cleaning Service Business in China. In addition, we announced that the Cleaning Service Business will be a core business among the recurring-revenue businesses of the Group in the mid-term management goals we disclosed in May 2019. Therefore, we have been considering to establish new business bases and to launch related new businesses as a further growth strategy. The aim of this is to become the number one vendor in the global market of the Cleaning Service Business in the future. Under this growth strategy, we have determined that listing FTSA on the STAR Market, a market for high-tech companies in China, will contribute to improving the corporate value of the Group and result in accelerating growth further. Accordingly, we have resolved to enter preparations to list FTSA on the STAR Market.

We assume that FTSA will continue to remain an important consolidated subsidiary of the Company even after listing it on the STAR Market. We have yet to decide the listing date and other details at the present time. Therefore, it is possible that we may decide not to list FTSA on the market depending on whether we obtain the necessary approval of the Chinese authorities and the stock exchange, changes in the stock market conditions and business environment during the preparations in the future, and the results of discussions with the capital alliance partners of FTSA.

2. Overview of FTSA (Current as of July 24, 2020)

(1) Name	Ferrotec (Anhui) Technology Co., Ltd. (FTSA)	
(2) Address	18 NanHai Road, YiAn Economic Development Zone, Tongling City, Anhui Province, China	
(3) Name and position of representative	He Xian Han, Representative Director	
(4) Areas of business	High purity process tool parts cleaning service for semiconductors and FPDs	
(5) Capital	253,790,000 yuan (3,976,889,000 yen) [Current as of July 24, 2020]	
(6) Date of establishment	December 26, 2017	
(7) Major shareholders and shareholding ratio	Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd. (our consolidated subsidiary)	66.985%
	Shanghai Zuzhen Enterprise Management Center (Limited Partnership) (our consolidated subsidiary)	7.881%
	Shanghai Zezu Enterprise Management Center (Limited Partnership) (our consolidated subsidiary)	3.940%
	Tongling Solid Reliance semiconductor technology equity investment fund partnership (Limited Partnership)	3.940%
	Anhui Yao'an bohan high-tech equity investment fund partnership (Limited Partnership)	4.843%
	Shanghai Wanye Enterprises Co.,Ltd	3.684%
	Yixing Orient Securities Ruiyuan Equity Investment Partnership (Limited Partnership)	2.561%
	Tongling Shenwang Trading Partnership (Limited Partnership)	2.758%
	Zhuji Orient Securities Ruiqiao Investment Partnership (Limited Partnership)	1.182%
	Shanghai Xinku Enterprise Management Consulting Co. LTD	1.044%
	Shanghai Free Trade Zone Phase III Equity Investment Fund Partnership Enterprise (Limited Partnership)	1.182%
(8) Relationship between FTSA and the companies	Capital relationship	FTSA is a subsidiary invested by Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd., which is a wholly owned subsidiary of the Company.
	Personnel relationship	Two directors of the Company concurrently serve as the director and an audit member of FTSA.
	Business relationship	None

(9) Consolidated business performance and financial condition over the past two years (Currency: Thousands of yuan (Rounded down to the nearest unit))			
Accounting period	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	
Net assets	206,698 (3,238 million yen)	308,235 (4,830 million yen)	
Total assets	320,088 (5,015 million yen)	531,604 (8,330 million yen)	
Net assets per share	4.133 Chinese yuan (64.779 yen)	1.467 Chinese yuan (23.000 yen)	
Net sales	138,895 (2,177 million yen)	316,134 (4,953 million yen)	
Net income	27,535 (431 million yen)	36,047 (564 million yen)	
Dividend per share	- (- million yen)	- (- million yen)	

Note 1: FTSA is in its third fiscal year since its establishment. Therefore, we have only given the information for the fiscal year ended December 31, 2018 and the fiscal year ended December 31, 2019.

Note 2: We have used the yuan to yen average exchange rate of 15.67 officially announced on December 31, 2019 for the yen conversion rate. (Rounded down to the nearest million yen.)

3. Future Outlook

If matters that need to be disclosed (including the impact of listing FTSA on the market on the future business performance of the Group), we will disclose them promptly.

This document is a press release for public announcement in relation to preparations to list our consolidated subsidiary called Ferrotec (Anhui) Technology Co., Ltd. (FTSA) on the Science and Technology Innovation Board (STAR 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.