

November 17, 2020

**Notice of the Issuance of New Shares through Third-Party Allotment by the Subsidiary that Manufactures Power Semiconductor Substrate**

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter "the Company") announces that Ferrotec (Jiangsu) Semiconductor Technology Co., Ltd. (hereinafter "FTSJ"), a subsidiary that manufactures substrates for power semiconductors, has decided to issue new shares through third-party allotment on the premise that it aims to be listed on the Chinese Science and Technology Innovation Board in the future. Details are as follows.

**1. Reason and background for the third-party allotment**

In the Group, since 1995, the subsidiary Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd. (hereinafter "FTS") has produced insulation and heat dissipation substrates for power semiconductors using a thermo module (hereinafter "DCB substrates"). In July 2018, we expanded the production capacity by establishing Dongtai Plant (FTSJ) in Jiangsu Province, China. Currently, we have built a production system for master cards (190 mm x 138 mm per sheet) with a monthly production volume of 600,000 DCB substrates, and have attained a top class share in the world for DCB substrates. Further, from 2019, utilizing new technology in the form of the AMB (Active Metal Brazing) method which has higher heat dissipation and reliability, we started developing a substrate based on silicon nitride and aluminum nitride intended for the inverter/converter power modules that go hand in hand with increasing sales of HEVs and EVs. Currently, FTSJ is diligently preparing for mass production.

Under these circumstances, the power semiconductor market in China is expanding rapidly due to the acceleration of a policy of transition to domestic production amid the US-China trade conflict. For the Company to further expand our business, we have an urgent need to handle capital investment, automation investment and development of new materials strategically in response to future increases in customer demand. In order to accelerate growth further under such a growth strategy, on the premise that FTSJ will be listed on the Chinese high-tech company market, Science and Technology Innovation Board (the STAR Market), in the future, we have decided that we will build strategic partner relationships with local government funds and major customers for the sake of an increase of the corporate value of the Group, and that we issue new shares through third-party allotment. We assume that FTSJ 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 FTSJ 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 FTSJ.

Glossary - What is a DCB substrate?

In addition to high heat dissipation for power semiconductor substrates, high insulation is required for components other than circuits. A substrate in which a copper circuit is directly bonded to an insulator such as alumina and aluminum nitride, which has high heat dissipation, insulation, and durability, is called a DCB substrate.

It is used in large household electrical appliances (especially for inverters in air conditioners), robots, NC (numerical control) processing machines, servos, inverters, etc. Further, in addition to the usage as a substrate for control devices such as in automobile engines, motors, power steering, and headlamps, it is also used as an inverter for motor control of renewable energy related devices (wind power generation, solar power generation, etc.).

**2. Purpose of use of the proceeds to be raised**

We plan to allocate funds mainly to investments in equipment upgrade, automation, new material development, etc.

**3. Outline of the subsidiary**

(1)	Name	Ferrotec (Jiangsu) Semiconductor Technology Co., Ltd. (FTSJ)
(2)	Address	18 Hongda Road, Chengdong New District, Dongtai City, Jiangsu Province, China
(3)	Title and name of representative	He Xian Han, Representative Director

(4)	Contents of business	Manufacture and sale of substrates for power semiconductors		
(5)	Capital	200,536,000 yuan (approx. 3.18 billion yen) [Current as of November 16, 2020] *1 Chinese yuan = 15.85 yen		
(6)	Date of establishment	March 16, 2018		
(7)	Major shareholders and shareholding ratio	Shareholder		Current shareholding ratio
		Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd.(FTS)		After third-party allotment 88.89%
(8)	Relationship between FTSJ and the company	Capital relationship	FTSJ is a subsidiary whose whole voting rights are owned by FTS, a consolidated subsidiary of the Company.	
		Personnel relationship	One director of the Company concurrently serves as the director of FTSJ.	
		Business relationship	Nothing is applicable.	
(9)	Business performance and financial standing in the past 1 year (rounded down to the nearest thousand yuan or million yen)			
	Accounting period	Fiscal year ended December 31, 2019		
	Net assets	129,392,000 yuan (2,050 million yen)		
	Total assets	345,077,000 yuan (5,469 million yen)		
	Net assets per share	- (- million yen)		
	Net sales	99,277,000 yuan (1,573 million yen)		
	Net income (loss) attributable to owners of parent	-2,618,000 yuan (-41 million yen)		
	Dividend per share	- (- million yen)		

Note 1: Yen conversion rate:1 Chinese yuan = 15.85 yen

Note 2: Net assets per share are omitted because the subsidiary is a limited company.

Note 3: Since the company had not been in operation for the fiscal year ended December 2018 (the establishment period), the business performance and financial standing are shown only for the fiscal year ended December 2019.

#### 4. Overview of the third-party allotment

(1)	Issue price per share	3.99 yuan/share (approx. 63.2 yen) *1 Chinese yuan = 15.85 yen		
(2)	Total contribution amount	100,000,000 yuan (approx. 1.58 billion yen)		
(3)	Settlement date	November 25, 2020		
(4)	Increased capital	25,062,700 yuan (approx. 390 million yen)		
(5)	Registered capital after third-party allotment	225,598,700 yuan (approx. 3.57 billion yen)		
(6)	Shareholding ratio after third-party allotment	1. FTSJ executive and employee shareholding association		8.898%
		2. Zhuzhou Jushidai Private Equity Fund Partnership (Limited Partnership)		1.102%
		3. Dongtai Zerui Industrial Investment Fund (Limited Partnership)		1.102%

\*The issue price was determined based on an evaluation of the stock's fair value by a third-party organization that is

independent from the Company and allottees, and then the shares were allotted.

**5. Overview of the allottees excluding FTSJ executive and employee shareholding association**

	No.1	No.2
(1) Company name	Zhuzhou Jushidai Private Equity Fund Partnership (Limited Partnership)	Dongtai Zerui Industrial Investment Fund (Limited Partnership)
(2) Capital	200 million yuan (3.17 billion yen)	500 million yuan (7.92 billion yen)
(3) Date of establishment	December 4, 2018	July 4, 2019
(4) Major shareholders and shareholding ratio	Zhuzhou Power Valley Industrial Development Guide Fund Partnership (Limited Partnership) (60%) Zhuzhou Times Innovation Investment Partnership (Limited Partnership) (32%) Hangzhou Zhulian Qiyuan Investment Management CO., LTD (7.5%) Zhuzhou Times Huaxin Private Equity Fund Management CO., LTD (0.5%)	Dongtai Chengdong High-tech Investment and Development CO., LTD (99%) Shanghai Jin Guan Investment CO., LTD (1%)
(5) Representative	GP: Zhuzhou Times Huaxin Private Equity Fund Management CO.,LTD (Zhuzhou CRRC Times Investment CO.,LTD: 80%; Representative: Peng Kun)	GP: Shanghai Jin Guan Investment CO., LTD (Representative: Wang Zhi Xiang (60%))
(6) Contents of business	Unlisted company investment and investment advisory business	Investment in new industry, investment promotion and management consulting
(7) Relationship between FTSJ 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.
(8) Contribution amount and shareholding ratio	10 million yuan (approx. 158 million yen) 1.102%	10 million yuan (approx. 158 million yen) 1.102%

Note: 1 Chinese yuan = 15.85 yen

**6. Matters related to transactions with controlling shareholders**

This transaction does not involve any dealings with controlling shareholders.

**7. Settlement date**

Wednesday, November 25, 2020

**8. Future outlook**

The impact of the transaction on consolidated earnings is currently under review. We will promptly announce details on this if deemed necessary.

This document is a press release for public announcement in relation to preparations to list Ferrotec (Jiangsu Semiconductor Technology Co., Ltd. (FTSJ) 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.