

December 17, 2020

**Notice of Capital Investment (Acquisition of Fixed Assets) to a Chinese Subsidiary  
in the Semiconductor Wafer Business**

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter "the Company") announces that, at the Board of Directors Meeting held today, the Company made a resolution on capital investment aimed at increasing the production capacity of 12-inch silicon wafers at its consolidated subsidiary, Hangzhou Semiconductor Wafer Co., Ltd. (hereinafter referred to as "FTHW") and Ningxia Semiconductor Wafer Co., Ltd. (hereinafter referred to as "FTSE"). Details are as follows.

**1. Background of the capital investment**

In the semiconductor wafer business, our subsidiaries in Shanghai, Hangzhou, and Yinchuan have built a production system\* with a total monthly production capacity of 880,000 wafers\*. With regard to our subsidiary in Hangzhou (FTHW), which we launched in 2019, we are currently working to certify customers for 8-inch and 12-inch prime wafers for starting mass production from 2021.

Meanwhile, in China, the trend toward domestic production of semiconductors is accelerating on a national scale. In particular, there is a succession of new plans and construction starts for 12-inch semiconductor wafer factories. Under such circumstances, we need to build a mass production system for semiconductor wafers as soon as possible in line with the start-up of our customers' factories. However, the production capacity of 12-inch wafers for FTHW and FTSE has only a pre-production line of producing 30,000 wafers per month, the current production capacity may not be able to meet customer demand in the future. Therefore, in order to prevent the loss of future business opportunities and to respond flexibly to future demand growth, we have decided to deliver and start up production facilities to produce 70,000 wafers per month as the second phase of additional investment to increase production.

\* Following the investments, the production capacity for 12-inch semiconductor wafers will be 100,000 wafers per month, and the overall production capacity for wafers will be 950,000 wafers per month.

**2. Overview of two subsidiaries (as of November 3, 2020)**

[Hangzhou Semiconductor Wafer Co., Ltd.]

(1) Name	Hangzhou Semiconductor Wafer Co., Ltd. (FTHW)		
(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	3.93 billion yuan (approx. 62.48 billion yen) as of November 30, 2020 * 1 yuan = 15.90 yen		
(6) Date of establishment	September 28, 2017		
(7) Major shareholders and shareholding ratio	Shareholder		Holding ratio
	Hangzhou Dahe Thermo- Magnetics Co., Ltd. (consolidated subsidiary)		18.4%
	Shanghai Shenhe Thermo- Magnetics Electronics Co., Ltd. (consolidated subsidiary)		11.1%
(8) Relationship between FTHW and the Company	Jiashan Jiahe Equity Investment Partnership		12.1%
	Capital relationship	FTHW is a consolidated subsidiary of the Company.	
	Personnel relationship	A director of the Company concurrently serves as the director of FTHW.	
	Business relationship	None 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 thousand yuan (9,583 million yen)	1,557,077 thousand yuan (24,757 million yen)	1,900,220 thousand yuan (30,213 million yen)
Total assets	603,616 thousand yuan (9,597 million yen)	1,915,042 thousand yuan (30,449 million yen)	3,438,824 thousand yuan (54,677 million yen)
Net assets per share	0.99 yuan (15.74 yen)	1.00 yuan (15.90 yen)	0.97 yuan (15.42 yen)
Net sales	- (- million yen)	- (- million yen)	787 thousand yuan (12 million yen)
Net income (loss) attributable to owners of parent	-5,587 thousand yuan (-88 million yen)	4,900 thousand yuan (77 million yen)	-53,124 thousand yuan (-844 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=15.90 yen

[Ningxia Semiconductor Wafer Co., Ltd.]

(1) Name	Ningxia Semiconductor Wafer Co., Ltd. (FTSE)		
(2) Address	NO.28 Guangming west Road, Yinchuan Technological and Economic Development Zone, Ningxia 750021, China.		
(3) Title and name of representative	He Xian Han, Representative Director		
(4) Contents of business	Manufacture and sale of ingot for semiconductor wafers		
(5) Capital	400 million yuan (approx. 6.36 billion yen) as of November 30, 2020 * 1 yuan = 15.90 yen		
(6) Date of establishment	December 14, 2015		
(7) Major shareholders and shareholding ratio	Shareholder		Holding ratio
	Hangzhou Semiconductor Wafer Co., Ltd. (consolidated subsidiary)		100.0%
(8) Relationship between FTSE and the Company	Capital relationship	FTSE is a consolidated subsidiary of the Company.	
	Personnel relationship	A director of the Company concurrently serves as the director of FTSE.	
	Business relationship	None 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	81,827 thousand yuan (1,301 million yen)	117,087 thousand yuan (1,861 million yen)	229,461 thousand yuan (3,648 million yen)
Total assets	228,026 thousand yuan (3,625 million yen)	858,447 thousand yuan (13,649 million yen)	1,401,143 thousand yuan (22,278 million yen)
Net assets per share	- yuan (- yen)	- (yen)	- (yen)
Net sales	3,820 thousand yuan (60 million yen)	94,271 thousand yuan (1,498 million yen)	129,634 thousand yuan (2,061 million yen)
Net income (loss) attributable to owners of parent	-18,187 thousand yuan (-289 million yen)	-64,740 thousand yuan (-1,029 million yen)	-87,626 thousand yuan (- 1,393 million yen)
Dividend per share	- (- million yen)	- (- million yen)	- (- million yen)

**3. Overview of Capital Investment**

Name of subsidiary	Details of major capital investment	Planned investment	Financing method	Start-up schedule
Ningxia Semiconductor Wafer Co., Ltd. (FTSE)	Single crystal pulling equipment, wire saws, etc.	370 million yuan (Approx. 5.88 billion yen)	Capital increase or borrowing from FTHW	① Start of test operation of the equipment: April to June 2021
Hangzhou Semiconductor Wafer Co., Ltd. (FTHW)	Wafer processing equipment, cleaning equipment, measuring instruments, inspection machines, automatic packaging equipment, etc.	1.15 billion yuan (Approx. 18.28 billion yen)	Third-party allotment*	② Start of mass production: July to September 2021 ③ Full production system: April to June 2022
	Total	1.52 billion yuan (Approx. 24.16 billion yen)		

\* For details, please refer to the "Notice of the Commencement of a New Business (Establishment of a New Company) and Technology Alliance" disclosed on October 16, 2020.

**4. Future outlook**

We are currently examining the impact on our consolidated business performance, but will make an announcement as soon as it is deemed necessary.

<Reference> Roles of each subsidiary in the semiconductor wafer business (by process)

Processing location	<b><u>Yinchuan City, Ningxia Autonomous Region</u></b>	<b><u>Hangzhou City, Zhejiang Province, Shanghai</u></b>
Process	Single crystal ingot pulling, slicing, chamfering, lapping, etching, mirror	Heat treatment, mirrors, special processing (epitaxial wafer, annealed wafer)
Subsidiaries	 Ningxia Semiconductor Wafer Co., Ltd. (FTSE)	 Hangzhou Semiconductor Wafer Co., Ltd. (FTHW) (8 inch: 350,000 wafers/month, 12 inch: 30,000 wafers/month)  Shanghai Semiconductor Wafer Co., Ltd. (FTSW) (6 inch: 400,000 wafers/month, 8 inch: 100,000 wafers/month)

\* The 12-inch slicing process is performed by FTHW.