

February 10, 2021

Notice of Issuance of New Shares through Third-Party Allotment by Subsidiary that Manufactures Components for Semiconductor Manufacturing (Quartz Crucibles and Silicon Parts), and Change to a Specific Subsidiary

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter "the Company") announces that, at the meeting of Board of Directors held today, Ferrotec (Ningxia) Advanced Quartz Material Co., Ltd. (hereinafter AQM-N"), a subsidiary that manufactures components for semiconductor manufacturing (quartz crucibles and silicon parts), has decided to issue new shares through third-party allotment on the premise that it will aim at getting listed on China's Science and Technology Innovation Board in the future. Accordingly, AQM-N has become our specific subsidiary. Details are as follows.

1. Reason and background for the third-party allotment

Following the recent growth of demand for 3D-NAND flash memories, the physical and chemical load of the etching process ^(Note), which is a key process for the flash memories, is getting heavier than ever before, and consumables used in semiconductor manufacturing equipment have to be replaced with new ones more frequently. At the same time, increasing replacement frequency and miniaturization of consumables are making contamination ^(Note) control more critical than ever in semiconductor manufacturing processes because contamination has significant impact on the device characteristics and process yield, rapidly driving demand for switching from the traditional parts based on such materials as quartz, aluminum oxide, and yttrium oxide to parts made of highly pure silicon (silicon parts) which has the same thermal expansion coefficient as that of silicon wafers. Furthermore, demand for synthetic quartz crucibles with larger diameters, which are consumables used for growing semiconductor silicon crystals, is rising as the size of wafer diameters is being expanded. Considering this market situation to be a chance in a million to multiply customers by boosting our productivity with agility in reaction to soaring customer demand while laying a solid financial foundation, the Company has decided on the second issuance of new shares through third-party allotment on the premise of listing AQM-N on the Chinese stock 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 AQM-N 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 AQM-N.

^(Note) <Glossary>

Etching	Etching is a process of producing a pattern on a semiconductor by removing unnecessary oxide films after the process of drawing a circuit diagram on a wafer. Unnecessary films are selected and removed after being distinguished from the circuit pattern using fluid, gas, or plasma.
Contamination	Contamination refers to any impurities or unnecessary tiny matters (organic matters, inorganic ions, metallic elements, and particles) generated during manufacturing of semiconductor devices. These matters have significant impact on the device characteristics and process yield.

2. Purpose of use of the proceeds to be raised

The funds are to be allocated mainly to investments in manufacturing equipment. We will provide details on the capital investment as soon as they are finalized.

3. Outline of the subsidiary as of February 9, 2021

(1)	Name	Ferrotec (Ningxia) Advanced Quartz Material Co., Ltd. (abbr.: AQM-N)
(2)	Address	23 Guangming West Road, Economic and Technological Development Zone, Yinchuan City, Ningxia, China
(3)	Title and name of representative	He Xian Han, Representative Director
(4)	Contents of business	Manufacturing and sale of jigs and consumables for semiconductor production
(5)	Capital	111 million yuan (approx. 1.78 billion yen) *1 Chinese yuan = 16.0 yen
(6)	Date of establishment	April 20, 2011

(7)	Major shareholders and shareholding ratio	Shareholder		Current shareholding ratio	After third-party allotment
		Hangzhou Dahe Thermo-Magnetics Co., Ltd. (consolidated subsidiary)		89.2%	71.3%
		Employee shareholding association 4 Investment funds		10.0%	7.9% 20.0%
(8)	Relationship between AQM-N and the companies	Capital relationship	AQM-N is a consolidated subsidiary of the Company.		
		Personnel relationship	One director of the Company concurrently serves as the director of AQM-N.		
		Business relationship	Nothing is applicable.		
(9)	Business performance and financial standing in the past 3 years (rounded down to the nearest thousand yuan or million yen)				
	Accounting period	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	
	Net assets	69,561,000 yuan (1,113 million yen)	71,470,000 yuan (1,143 million yen)	73,016,000 yuan (1,168 million yen)	
	Total assets	139,535,000 yuan (2,232 million yen)	164,065,000 yuan (2,625 million yen)	191,971,000 yuan (3,071 million yen)	
	Net assets per share	- (- million yen)	- (- million yen)	- (- million yen)	
	Net sales	117,310,000 yuan (1,877 million yen)	89,623,000 yuan (1,434 million yen)	81,383,000 yuan (1,302 million yen)	
	Net income (loss) attributable to owners of parent	1,517,000 yuan (24 million yen)	1,909,000 yuan (30 million yen)	1,545,000 yuan (25 million yen)	
	Dividend per share	- (- million yen)	- (- million yen)	- (- million yen)	

Note 1: AQM-N owns Hangzhou Dunyuan Juxin Semiconductor Technology Co., Ltd. (hereinafter "FTHS") that engages in the silicon parts business as a subsidiary; however, we do not report business results of FTHS on a sub-consolidated basis, and therefore, the business performance and financial standing presented above are for AQM-N on a non-consolidated basis.

Note 2: Yen conversion rate: 1 Chinese yuan = 16.00 yen

Note 3: Since AQM-N is a limited company, net assets per share and dividend per share are omitted.

4. Overview of the third-party allotment to be implemented by the subsidiary

(1)	Issue price per share	11.7 yuan/yuan of capital (approx. 187.20 yen) *1 Chinese yuan = 16.00 yen	
(2)	Total contribution amount	325,000,000 yuan (approx. 5.2 billion yen)	
(3)	Settlement date	February 26, 2021	
(4)	Increased capital	27,778,000 yuan (approx. 450 million yen)	
(5)	Capital after third-party allotment	138,889,000 yuan (approx. 2.22 billion yen)	
(6)	Allottees and the number of shares to be allotted	(1) Xiamen Jianfa Emerging Industry Equity Investment No.2 Partnership (Limited Partnership) (2) Jiaxing Junwei Equity Investment Partnership (Limited Partnership) (3) Jiaxing Linge Equity Investment Partnership (Limited Partnership)	The number of shares to be allotted to each investor is currently under discussion.

(4) Gongqingcheng Xingcheng Dongying Semiconductor Industry Investment Partnership (L.P.)

*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

*The contribution amount and shareholding ratio are currently under discussion, and we will provide details as soon as they are finalized.

	(1)	(2)
(1) Company name	Xiamen Jianfa Emerging Industry Equity Investment No.2 Partnership (Limited Partnership)	Jiaxing Junwei Equity Investment Partnership (Limited Partnership)
(2) Capital	500 million yuan (approx. 8 billion yen)	46 million yuan (approx. 740 million yen)
(3) Date of establishment	June 27, 2016	December 10, 2020
(4) Major shareholders and shareholding ratio	Xiamen C&D Emerging Industry Equity Investment Co., Ltd. (99.80%)	Shanghai Juntong Equity Investment Management Co., Ltd. (0.65%) Wen Yi Lei (10.0%) Wang Xiao (6.5%) Wang Zhi Ping (17.4%) COSTONE HOLDING CO.,LTD (21.8%) Fujian Xinwang Investment Partnership (Limited Partnership) (21.8%) Shanghai Xinhong technology service partnership (limited partnership) (21.8%)
(5) Representative	Cai Xiao Fan	Wen Wei
(6) Contents of business	Investment in shares without securities and advisory business on consignment Industrial investment Investment management Asset management	Investment in shares Investment in businesses
(7) Relationship between AQM-N 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	Coordinating	Coordinating

Note: Exchange rate: 1 Chinese yuan = 16.0 yen

	(3)	(4)
(1) Company name	Jiaxing Linge Equity Investment Partnership (Limited Partnership)	Gongqingcheng Xingcheng Dongying Semiconductor Industry Investment Partnership (L.P.)
(2) Capital	21 million yuan (approx. 340 million yen)	315 million yuan (approx. 5.04 billion yen)
(3) Date of establishment	November 2, 2020	August 7, 2020
(4) Major shareholders and shareholding ratio	Shanghai Core Investment Management Co., Ltd. (0.9%) Shanghai GrandNet Supply Chain Co., Ltd. (20.9%) Wang Yi (54.8%)	Gongqingcheng Zigui Investment Partnership Corporation (Limited Partnership) (16.0%) Li Jian (8.5%) Fuzhou Mingyuan Foodstuff Processing

		Li Han Ying (23.3%)	Co., Ltd. (5.3%)
(5)	Representative	GP: Shanghai Core Investment Management (Representative: Song Yan Yan)	GP: Gongqingcheng Xincheng Equity Investment Partnership (Limited Partnership) (Representative: Zhang Liang)
(6)	Contents of business	Investment in shares Investment in businesses	Industrial investment Investment in shares Investment in businesses
(7)	Relationship between AQM-N 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	Coordinating	Coordinating

Note: Exchange rate: 1 Chinese yuan = 16.0 yen

6. Share transfer schedule

(1)	Date of resolution by AQM-N Board of Directors	February 10, 2021
(2)	Date of resolution by the Board of Directors of the Company	February 10, 2021
(3)	Settlement date	February 28, 2021 (scheduled)

7. Future outlook

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

<Previous releases on the listing of subsidiaries> Our company plans to list four of our subsidiaries on stock markets.

Contents of business	Subject subsidiary	News release date	Title of the news release
Quartz crucibles Silicon parts	Ferrotec (Ningxia) Advanced Quartz Material Co., Ltd.	Feb. 10, 2021	Notice of Issuance of New Shares through Third-Party Allotment by Subsidiary that Manufactures Components for Semiconductor Manufacturing (Quartz Crucibles and Silicon Parts), and Change to a Specific Subsidiary
Power semiconductor substrate	Ferrotec (Jiangsu) Semiconductor Technology Co., Ltd.	Nov. 17, 2020	Notice of the Issuance of New Shares through Third-Party Allotment by the Subsidiary that Manufactures Power Semiconductor Substrate
Semiconductor wafer	Hangzhou Semiconductor Wafer Co., Ltd.	Sep. 15, 2020	Notice of Transfer of Some Shares of the Subsidiary that Manufactures Semiconductor Wafers
Precision component cleaning and recycling	Ferrotec (Anhui) Technology Co., Ltd.	Aug. 14, 2020	Notice of Preparations to List a Chinese Subsidiary on the Science and Technology Innovation Board (STAR Market)

This document is a press release for public announcement in relation to preparations to list our consolidated subsidiary called Ferrotec (Ningxia) Advanced Quartz Material 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.