

April 15, 2021

**Notice of the (Second) Issuance of New Shares through Third-Party Allotment and Capital Investment (Acquisition of Fixed Assets) at an Equity-Method Affiliate for Manufacturing Semiconductor Wafers**

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 the second issuance of new shares through third-party allotment at Hangzhou Semiconductor Wafer Co., Ltd. (hereinafter "FTHW"), which is a company accounted for by the equity method and capital investment (acquisition of fixed assets) aimed at increasing the production capacity of 12-inch silicon wafers at Ningxia Semiconductor Wafer Co., Ltd. (hereinafter "FTSE"), a subsidiary of FTHW. Details are as follows.

**I. Issuance of new shares through third-party allotment by an equity-method affiliate**

**1. Background of the second issuance of new shares through third-party allotment**

In the semiconductor wafer business, our equity-method affiliates in Shanghai, Hangzhou, and Yinchuan have built a production system\* with a total monthly production capacity of 880,000 wafers\*. With regard to our equity-method affiliate in Hangzhou (FTHW), which we launched in 2019, the Company is preparing to increase the production capacity for 12-inch silicon wafers in China from the current 30,000 wafers per month to 100,000 wafers per month by utilizing existing capital increase funds, as there are a number of new plant construction plans and construction commencement cases, as mentioned in "Notice of Capital Investment (Acquisition of Fixed Assets) to a Chinese Subsidiary in the Semiconductor Wafer Business" dated December 17, 2020.

In addition, due to the recent trade frictions between the U.S. and China, the trend toward domestic production of semiconductors in China is becoming more and more pronounced, and there is now a possibility that our current planned production capacity will not be able to meet the demand of our customers in the future. As a result, in order to further increase the production capacity for 12-inch silicon wafers, the Company has decided to issue new shares through third-party allotment for FTHW again. As with the previous issuance of new shares through third-party allotment, the allottees this time are expected to be investment funds, etc. in China. As a result of this, the Group's shareholding ratio in FTHW is expected to be in the 23% range, but it will continue to be an equity-method affiliate of the Company.

\*Of which, 400,000 are small-diameter wafers (6 inches or less), 450,000 are medium-diameter wafers (8 inches), and 30,000 are large-diameter wafers (12 inches). (We are currently preparing for the establishment of a system for manufacturing 100,000 wafers.)

\*Following the investments, the production capacity for 12-inch semiconductor wafers will be 200,000 wafers per month, and the overall production capacity for wafers will be 1,050,000 wafers per month.

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

The funds are to be allocated to mainly investments in semiconductor wafer manufacturing facilities. As for the outline of the capital investment, please refer to "2. Overview of capital investment" in "II. Capital investment (acquisition of fixed assets)" below. Other funds will be used for debt repayment, working capital, etc. within the Group.

**3. Outline of the equity-method affiliate as of December 31, 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	3.93 billion yuan (approx. 65.66 billion yen) [Current as of December 31, 2020] *1 Chinese yuan = 16.7 yen		
(6)	Date of establishment	September 28, 2017		
(7)	Major shareholders and shareholding ratio	Shareholder	Current shareholding ratio	After third-party

		Hangzhou Dahe Thermo-Magnetics Co., Ltd. (consolidated subsidiary)	18.4%	allotment 14.7%
		Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd. (consolidated subsidiary)	11.1%	8.8%
		Jiashan Jiahe Equity Investment Partnership (Limited partnership)	12.1%	TBD
(8)	Relationship between FTHW and the companies	Capital relationship	FTHW is an equity-method affiliate 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	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
	Net assets	602,736,000 yuan (10,065 million yen)	1,557,077,000 yuan (26,003 million yen)	1,900,220,000 yuan (31,733 million yen)
	Total assets	603,616,000 yuan (10,080 million yen)	1,915,042,000 yuan (31,981 million yen)	3,438,824,000 yuan (57,428 million yen)
	Net assets per share	0.99 yuan (16.53 yen)	1.00 yuan (16.70 yen)	0.97 yuan (16.19 yen)
	Net sales	- (- million yen)	- (- million yen)	787,000 yuan (13 million yen)
	Net income (loss) attributable to owners of parent	-5,587,000 yuan (-93 million yen)	4,900,000 yuan (81 million yen)	-53,124,000 yuan (-887 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: 1 Chinese yuan = 16.70 yen

#### 4. Overview of the third-party allotment to be implemented by the equity-method affiliate

\*Details are yet to be determined and may change in the future.

(1)	Class/number of new shares to be issued	1,000,000,000 common shares
(2)	Issue price per share	3.00 yuan/share (approx. 50.1 yen) *TBD
(3)	Amount to be raised	3,000,000,000 yuan (approx. 50.1 billion yen) *TBD
(4)	Settlement date	May 20, 2021
(5)	Number of shares outstanding after the third-party allotment	4,932,256,776 shares *TBD
(6)	Capital after the third-party allotment	4,932 million yuan (approx. 82.36 billion yen) *TBD
(7)	Allottee/number of shares to be allotted	Currently coordinating with each company The number of shares is also being adjusted.

\*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 will be allotted.

#### 5. Overview of the allottees

Details are currently being worked out with several investment funds in China. The details will be announced separately when they are finalized.

**II. Capital investment (acquisition of fixed assets)**

As described in the above section “1. Background of the second issuance of new shares through third-party allotment,” FTHW, an equity-method affiliate for producing semiconductor wafers, and its subsidiary, FTSE, are currently preparing to increase production of 12-inch silicon wafers from 30,000 wafers per month to 100,000 wafers per month. and the Company has decided to start a third phase of additional capital investment to increase the monthly production capacity for 12-inch silicon wafers to 200,000 wafers per month (additional investment for producing 100,000 more wafers per month).

**1. Outline of the equity-method affiliate and its subsidiary as of December 31, 2020**

As for Hangzhou Semiconductor Wafer Co., Ltd. "FTHW," please refer to “3. Outline of the equity-method affiliate as of December 31, 2020” in “I. Issuance of new shares through third-party allotment by an equity-method affiliate.”

<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	700 million yuan (approx. 11.69 billion yen) [Current as of December 31, 2020] *1 Chinese yuan = 16.70 yen		
(6)	Date of establishment	December 14, 2015		
(7)	Major shareholders and shareholding ratio	Shareholder		Holding ratio
		Hangzhou Semiconductor Wafer Co., Ltd. (equity-method affiliate)		100.0%
(8)	Relationship between FTSE and the Company	Capital relationship	FTSE is an equity-method affiliate of the Company.	
		Personnel relationship	A director of the Company concurrently serves as the director of FTSE.	
		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	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019
	Net assets	81,827,000 yuan (1,366 million yen)	117,087,000 yuan (1,955 million yen)	229,461,000 yuan (3,832 million yen)
	Total assets	228,026,000 yuan (3,808 million yen)	858,447,000 yuan (14,336 million yen)	1,401,143,000 yuan (23,399 million yen)
	Net assets per share	- yuan (- yen)	- (- yen)	- (- yen)
	Net sales	3,820,000 yuan (63 million yen)	94,271,000 yuan (1,574 million yen)	129,634,000 yuan (2,164 million yen)
	Net income (loss) attributable to owners of parent	-18,187,000 yuan (-303 million yen)	-64,740,000 yuan (-1,081 million yen)	-87,626,000 yuan (-1,463 million yen)
	Dividend per share	- (- million yen)	- (- million yen)	- (- million yen)

**2. 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.	550 million yuan (Approx. 9.18 billion yen)	Capital increase or borrowing from FTHW	1. Start of test operation of the equipment: October to December 2022
Hangzhou Semiconductor Wafer Co., Ltd. (FTHW)	Wafer processing equipment, cleaning equipment, measuring instruments, etc.	1,971 million yuan (Approx. 32.91 billion yen)	Third-party allotment*	2. Start of mass production: January to March 2023 3. Full production system: October to December 2023
Total		2,521 million yuan (Approx. 42.1 billion yen)		

**III. Others**

**1. Share transfer schedule**

(1)	Date of resolution by FTHW Board of Directors	March 30, 2021
(2)	Date of resolution by the Board of Directors of the Company	April 15, 2021
(3)	The settlement date for third-party allocation of shares	May 25, 2021 (scheduled)

**2. Future outlook**

The impact of the transaction on consolidated earnings is currently under review. We will promptly announce details on this if 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	 <p>Ningxia Semiconductor Wafer Co., Ltd. (FTSE)</p>	 <p>Hangzhou Semiconductor Wafer Co., Ltd. (FTHW) (8 inch: 350,000 wafers/month, 12 inch: 30,000 wafers/month)</p>  <p>Shanghai Semiconductor Wafer Co., Ltd. (FTSW) (6 inch: 400,000 wafers/month, 8 inch: 100,000 wafers/month)</p>

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