April 15, 2021

Notice of the Establishment of a Research Institute in the Subsidiary that Manufactures Power Semiconductor Substrate

Ferrotec Holdings Corporation announces that Ferrotec (Jiangsu) Semiconductor Technology Co., Ltd. (hereinafter "FTSJ"), a subsidiary that manufactures substrates for power semiconductors, has decided to establish a power semiconductor research institute for the purpose of researching and developing materials for power semiconductors, while receiving support from governmental funds of Dongtai, Jiangsu. Details are as follows.

1. Background for the establishment of a power semiconductor research institute

As mentioned in "Notice of the Issuance of New Shares through Third-Party Allotment by the Subsidiary that Manufactures Power Semiconductor Substrate" disclosed on November 17, 2020, we are developing systems for further increasing the production volume of insulation and heat dissipation substrates for power semiconductors, which are products of our electronic device business section, especially "DCB substrates (current monthly output: 600,000 substrates)" composed of alumina ceramics, which are mainly used for power modules of industrial equipment and consumer products, and "AMB substrates (current monthly output: 100,000 substrates)" composed of silicon nitride and aluminum nitride, which are used for power modules in the fields of electric vehicles and new energy.

Partially thanks to the global trend toward the realization of a decarbonized society, the demand for power devices is growing further in Europe, the U.S., Japan, and China. On the other hand, it is getting more important to develop materials for controlling heat density and realizing high insulation properties in order to produce compact devices which tolerate high voltage. Therefore, we concluded that we would be able to improve the corporate value of the entire group by establishing a power semiconductor research institute in FTSJ, strengthening the activities for developing more advanced technologies for insulation and heat dissipation substrates, which are existing products, concentrating on the R&D of analysis technologies, including power semiconductor packaging technologies and material characteristics evaluation, pursuing added value in the power semiconductor business, and expanding our business to help solve social issues.

2. Outline of the subsidiary that will have a power semiconductor research institute

(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	225,598,000 yuan (approx. 3.76 billion yen) [Current as of December 31, 2020] *1 Chinese yuan = 16.70 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)		88.89%
		FTSJ executive and employee shareholding association		8.89%
		Dongtai Zerui Industrial Investment Fund (Limited Partnership)		1.11%
		Zhuzhou Jushidai Private Equity Fund Partnership (Limited Partnership)		1.11%
(8)	Relationship between FTSJ and the companies	Capital relationship	FTSJ is a subsidiary 88.89% of whose 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	124,381,000 yuan (2,077 million yen)		
Total assets	375,467,000 yuan (6,270 million yen)		
Net assets per share	- (- million yen)		
Net sales	99,277,000 yuan (1,657 million yen)		
Net income (loss) attributable to owners of parent	-3,029,000 yuan (-50 million yen)		
Dividend per share	- (- million yen)		

Note 1: Yen conversion rate:1 Chinese yuan = 16.70 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.

3. Outline of the power semiconductor research institute

(1)	Name	To be established inside 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	R&D, manufacture, and sale of materials, parts, and substrates for power devices, thermoelectric materials, ceramic substrates, and electronic and power units
(5)	Investment amount	150,000,000 yuan (approx. 2.5 billion yen) *1 Chinese yuan = 16.70 yen (Breakdown) 63,000,000 yuan for building construction, 66,000,000 yuan for facilities, research equipment, etc., and 21,000,000 yuan for other operating funds *The government of Dongtai, Jiangsu will subsidize 20% of the investment amount (preferential treatment).
(6)	Fund procurement method	FTSJ will borrow from financial institutions in China. *The government of Dongtai, Jiangsu will bear the interest on the borrowings for 5 years (preferential treatment).
(7)	Major buildings	1. Research institute headquarters building and a general service center: 10,000 m^2 2. Research laboratory and trial production rooms: 10,000 m^2 3. Analysis and test center: 2,000 m^2 *The area of land to be acquired: About 16,666 m^2

4. Future schedule

May 2021: Commencement of construction

December 2021: Completion of construction

February 2022: Installation of equipment

5. Future outlook

The impact of this matter on financial performance of the fiscal year ending March 31, 2022 is expected to be minor; however, we will promptly disclose relevant items as soon as they are confirmed.