

May 21, 2021

(Revision of a Disclosed Item) Notice of Preparations to List a Chinese Subsidiary on the Science and Technology Innovation Board (STAR Market)

The Company hereby announces that, at the Board of Directors Meeting held today, we resolved to change the planned listing market of Ferrotec (Anhui) Technology Co., Ltd. (hereinafter "FTSA"), an equity-method affiliate of the Company, to the Growth Enterprise Market of Shenzhen Stock Exchange and to prepare for the listing. The Company announced previously in "Notice of Preparations to List a Chinese Subsidiary on the Science and Technology Innovation Board (STAR Market)" dated August 14, 2020, that FTSA was going to be listed on the Shanghai Stock Exchange STAR Market. This change is subject to a resolution at the FTSA General Meeting of Shareholders. Details are as follows.

<Reason for the change>

In April 2021, the China Securities Regulatory Commission announced the "Decision on Amending the Guidelines for the Evaluation of Science and Technology Innovation Attributes (Trial)" (hereinafter "the new guidelines") as the new listing guideline for the STAR Market. One of the new standards that were set is "the ratio of research and development personnel to all employees shall be 10% or higher." Therefore, FTSA, which was trying to increase the number of production personnel to expand the production scale, was required to meet this new standard. However, as a result of examining the time required to meet this new standard and the characteristics of the market, we determined that aiming for listing on the Growth Enterprise Market* of Shenzhen Stock Exchange, which does not have a similar standard as a listing requirement, can increase the corporate value of FTSA.

*The Growth Enterprise Market is a market of Shenzhen Stock Exchange for emerging companies, also known as the "Chinese version of NASDAQ" or "ChiNext." As of April 16, 2021, the number of listed companies is 935, which is about 3.6 times that of the STAR Market. In addition, the market capitalization is 10,407.1 billion yuan (about 176 trillion yen; 1 Chinese yuan = 16.97 yen), which is about 3.1 times that of the STAR Market.

(Source) Exchange data

(Before change) The changed part is underlined.

1. Background and purpose of listing FTSA

The Group entered the high purity process tool parts cleaning service business for semiconductors and FPDs (hereinafter "the Cleaning Service Business") in Shanghai in 2001. Since then, we have expanded our footholds to 5 business bases and 6 factories in Tianjin, Sichuan, Dalian and Anhui. We have now acquired a leading position driving the Cleaning Service Business in China. In addition, we announced that the Cleaning Service Business will be a core business among the recurring-revenue businesses of the Group in the mid-term management goals we disclosed in May 2019. Therefore, we have been considering to establish new business bases and to launch related new businesses as a further growth strategy. The aim of this is to become the number one vendor in the global market of the Cleaning Service Business in the future. Under this growth strategy, we have determined that listing FTSA on the STAR Market, a market for high-tech companies in China, will contribute to improving the corporate value of the Group and result in accelerating growth further. Accordingly, we have resolved to enter preparations to list FTSA on the STAR Market.

We assume that FTSA 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 FTSA 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 FTSA.

2. Overview of FTSA (Current as of July 24, 2020)

Omitted

3. Future Outlook

Omitted

This document is a press release for public announcement in relation to preparations to list our consolidated subsidiary called Ferrotec (Anhui) Technology Co., Ltd. (FTSA) 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.

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