

May 21, 2021

Notice of Capital Investment (Acquisition of Fixed Assets) to a Chinese Subsidiary in the Precision Parts Cleaning and Recycling Business

Ferrotec Holdings Corporation (Representative Director and Group CEO: He Xian Han; hereinafter "the Company") announces that, at the Board of Directors Meeting held today, the Company resolved to construct a factory (third factory) that provides recycling services for products with ceramic thermal spraying and a production line as a capital investment for the third phase of its Chinese subsidiary, Ferrotec (Sichuan) Technology Co., Ltd. (hereinafter, "FTSS"). Details are as follows.

1. Background and purpose of capital investment

In the Precision Parts Cleaning and Recycling Business, the Group launched the high purity process tool parts cleaning service for semiconductors and FPDs (hereinafter "the Cleaning Service Business") in Shanghai in 2001. Since then, we have expanded our footholds to five business bases and six factories in Tianjin, Sichuan, Dalian, and Anhui. We are in the leading position driving the Cleaning Service Business as we hold a market share* of 50% or more in China. We aim to be the No.1 vendor in the global market in the future. Thus, we are currently preparing for listing.

In recent years, as dry etching and CVD processes have increased due to the miniaturization and three-dimensionalization of semiconductors, there was a need to improve the durability of process parts to extend the lifespans of semiconductors and FPD manufacturing equipment and reduce maintenance. Specifically, the development of process parts with excellent plasma and corrosion resistance is an important challenge for semiconductor manufacturers because it is directly linked to the process yield and equipment operating rate. We receive many inquiries at the precision parts cleaning and recycling subsidiary of the Company, which possesses the recycling know-how regarding high-purity ceramic thermal spray coating with excellent resistance to plasma and corrosion. We have determined that we can further improve our position in the Cleaning Service Business market by enhancing our high-value-added ceramic spraying recycling services. Hence, we announce that we have decided to build a factory (third factory) and a production line for recycling services for products with ceramic thermal spraying at FTSS.

*Based on our research.

2. Overview of FTSS as of December 31, 2020

(1)	Name	Ferrotec (Sichuan) Technology Co., Ltd. (FTSS)	
(2)	Address	888 HanChen Road, Neijiang Economic Development Zone, Neijiang City, China	
(3)	Title and name of representative	He Xian Han, Representative Director	
(4)	Contents of business	High purity process tool parts cleaning service for semiconductors and FPDs	
(5)	Capital	20 million yuan (339 million yen) *1 Chinese yuan = 16.95 yen	
(6)	Date of establishment	June 10, 2015	
(7)	Major shareholders and shareholding ratio	Ferrotec (Anhui) Technology Co., Ltd. (consolidated subsidiary of the Company): 100%	
(8)	Relationship between FTSS and the company	Capital relationship	FTSS is a subsidiary of Ferrotec (Anhui) Technology Co., Ltd., 66.985% of whose shares are owned by the Company.
		Personnel relationship	A director of the Company concurrently serves as the director of FTSS.
		Business relationship	None applicable

3. Overview of capital investment

(1)	Description of main facilities	Investing in construction of a factory and a production line -Factory site area: 25,300 square meters -The total floor area of the factory: 13,544 square meters
-----	--------------------------------	--

		-Production line (processing capacity: 105,000 pieces/year)
(2)	Planned investment amount	156 million yuan (approx. 2.64 billion yen) *1 Chinese yuan = 16.95 yen
(3)	Fund procurement method	With own funds and borrowing
(4)	Schedule	Start of construction : May 2021 Building completion : December 2021 (planned) Installation of production equipment : January 2022 (planned) Start of mass production : March 2022 (planned)

4. Future outlook

The impact on the performance of the Company is expected to be minor. However, we will promptly disclose relevant items as soon as they are confirmed.

~Glossary - What is ceramic thermal spraying?

Ceramic thermal spraying is a method of making a ceramic coating by spraying melted ceramic powder on a metal surface in order to add the characteristics of ceramics, such as heat resistance, abrasion resistance, and chemical resistance. The ceramics used for thermal spraying are mainly oxide ceramics, such as alumina and zirconia, and are often used as powders having a particle size of several μm during thermal spraying. In addition, many ceramics have a high melting point. Therefore, plasma, which has a central flame temperature of tens of thousands of degrees, is mainly used as the heat source for thermal spraying. Due to its characteristics, ceramic thermal spraying is used in various fields such as electrically insulating coatings for ICs and LSI circuits, aircraft, automobiles, machinery, metallurgy, and chemical and petroleum plants.