

August 6, 2021

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

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) and is currently preparing to be listed on the Science and Technology Innovation Board (STAR Market) of the Shanghai Stock Exchange, has decided to issue new shares through second third-party allotment in order to make capital and R&D investments in preparation for future increases in demand. 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, AQM-N has decided to increase capital by approximately 300 million yuan (approximately 5.1 billion yen) through the second third-party allotment of new shares, based on the judgment that proactive capital investment and R&D investment in response to strong customer demand, while further strengthening its financial base, will enhance its corporate value over the medium to long term as it moves forward with its listing.

(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 proceeds of 300 million yuan (approximately 5.1 billion yen) will be used for the repurchase of the government-owned Yinchuan Plant site and building, which is a requirement for AQM-N's listing, as well as for the purchase of large-diameter quartz crucibles and silicon parts manufacturing equipment, and for the establishment of a silicon materials R&D center.

3. Outline of AQM-N as of August 4, 2021

(1)	Name	Ferrotec (Ningxia) Advanced Quartz Material Co., Ltd.
(2)	Address	23 Guangming West Road, Yinchuan Economic and Technological Development Zone, Yinchuan City, Ningxia, China
(3)	Title and name of representative	He Xian Han, Representative Director
(4)	Contents of business	Manufacture and sale of jigs and consumable parts for semiconductor manufacturing
(5)	Capital	144,300,144 yuan (2.45 billion yen) *1 Chinese yuan = 17.0 yen

(6)	Date of establishment	March 16, 2018		
(7)	Major shareholders and shareholding ratio	Shareholder	Current shareholding ratio	After third-party allotment
		Hangzhou Dahe Thermo-Magnetics Co., Ltd. (abbr.: FTH)	69.30%	66.64%
(8)	Relationship between AQM-N and the company	Capital relationship	AQM-N is a subsidiary 69.30% of whose voting rights are owned by FTH, 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.	

4. Overview of the third-party allotment

(1)	Issue price per share	13.63 yuan/yuan of capital (approx. 231.71 yen) *1 Chinese yuan = 17.0 yen	
(2)	Total contribution amount	299,999,980 yuan (approx. 5.1 billion yen)	
(3)	Settlement date	August 25, 2021	
(4)	Increased capital	22,020,870 yuan (approx. 374 million yen)	
(5)	Registered capital after third-party allotment	166,311,014 yuan (approx. 2.83 billion yen)	
(6)	Ownership ratio of each allocatee	No. 01 Hangzhou Dahe Thermo-Magnetics Co., Ltd. (our consolidated subsidiary)	6.51%
		No.0 2 Jiaxing Linrui Equity Investment Partnership (Limited Partnership)	2.66%
		No.0 3 Lanxi Puhua Haoyang Equity Investment Partners L.P (Limited Partnership)	0.88%
		No. 04 Shanghai Haiwang IP Equity Investment Fund, L.P. (Limited Partnership)	0.44%
		No.0 5 Yangtze River Delta (Jiashan) Equity Investment Partnership Enterprise (Limited Partnership)	0.44%
		No.0 6 Shangrong Innovation (Ningbo) Equity Investment Center (Limited Partnership)	0.44%
		No. 07 Advanced Micro-Fabrication Equipment Inc. China	0.44%
		No.0 8 Anji Runxin enterprise management partnership (Limited Partnership)	0.09%
		No.0 9 Tongling Smallville Hongxin Venture Capital Investment Partnership (Limited Partnership)	
		No. 10 Anji Ningchen Equity Investment Partnership (Limited Partnership)	
		No. 11 Shanghai Luoda Investment and Consulting Co., Ltd	

*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

	No. 1	No. 2
(1) Company name	Hangzhou Dahe Thermo-Magnetics Co., Ltd.	Jiaxing Linrui Equity Investment Partnership (Limited Partnership)
(2) Capital	677.5 million yuan (11.5 billion yen)	10 million yuan (170 million yen)
(3) Date of establishment	January 31, 1992	January 12, 2021
(4) Major shareholders and shareholding ratio	The Company: 100%	Chen Dan Yu: 99.95%
(5) Representative	Akira Yamamura, Representative Director	Business execution partner: Shanghai Core Investment Management Co., Ltd.
(6) Contents of business	Semiconductor equipment-related business Electronic device business	Capital market service
(7) Relationship between AQM-N and the companies	Consolidated subsidiary of the Company	There are no capital, personnel, or business relationships, and the company does not belong to related parties.
(8) Contribution amount	147.7 million yuan (2.51 billion yen)	60.4 million yuan (1.03 billion yen)

*1 Chinese yuan = 17.0 yen

	No. 3	No. 4
(1) Company name	Lanxi Puhua Haoyang Equity Investment Partners L.P (Limited Partnership)	Shanghai Haiwang IP Equity Investment Fund, L.P. (Limited Partnership)
(2) Capital	97.4 million yuan (1.65 billion yen)	475 million yuan (8.07 billion yen)
(3) Date of establishment	June 22, 2020	December 9, 2016
(4) Major shareholders and shareholding ratio	Xu Guo Hai: 12.32%	Su Shou Chun: 21.05%
(5) Representative	Business execution partner: Hangzhou Puyang Investment Management Co., Ltd.	Business execution partner: Shanghai Haiwang IP Equity Investment Fund, L.P.
(6) Contents of business	Capital market service	Capital market service
(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	20 million yuan (340 million yen)	10 million yuan (170 million yen)

*1 Chinese yuan = 17.0 yen

	No. 5	No. 6
(1) Company name	Yangtze River Delta (Jiashan) Equity Investment Partnership Enterprise (Limited Partnership)	Shangrong Innovation (Ningbo) Equity Investment Center (Limited Partnership)
(2) Capital	1,217.2 million yuan (20.7 billion yen)	1,000 million yuan (17 billion yen)
(3) Date of establishment	March 4, 2021	March 29, 2018
(4) Major shareholders and shareholding ratio	China Cinda Asset Management Co., Ltd.: 32.86%	Ningbo Heyuan Holding Co., Ltd.: 91.00%
(5) Representative	Business execution partner: Shanghai Lingang New Area Science and	Business execution partner: Shangrong Capital Management Co.,

		Innovation Industry Equity Investment Fund Management Co., Ltd.	Ltd.
(6)	Contents of business	Dissemination of science and technology, and applied services	Capital market service
(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	10 million yuan (170 million yen)	10 million yuan (170 million yen)

*1 Chinese yuan = 17.0 yen

		No. 7	No. 8
(1)	Company name	Advanced Micro-Fabrication Equipment Inc. China	Anji Runxin enterprise management partnership (Limited Partnership)
(2)	Capital	534.9 million yuan (9.1 billion yen)	3 million yuan (50 million yen)
(3)	Date of establishment	May 31, 2005	June 10, 2021
(4)	Major shareholders and shareholding ratio	Shanghai Venture Capital Company: 15.64%	Sun Yu Zhou: 49.83% Ding Hai: 49.83%
(5)	Representative	Yin Zhi Yao, Representative Director	Business execution partner: Anji juyao enterprise management Co., Ltd.
(6)	Contents of business	Computer, telecommunications and other electronic equipment manufacturing service	Commercial services
(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	10 million yuan (170 million yen)	10 million yuan (170 million yen)

*1 Chinese yuan = 17.0 yen

		No. 9	No. 10
(1)	Company name	Tongling Smallville Hongxin Venture Capital Investment Partnership (Limited Partnership)	安吉寧辰株權投資合夥企業 (Limited Partnership)
(2)	Capital	1 million yuan (20 million yen)	20 million yuan (340 million yen)
(3)	Date of establishment	June 25, 2018	July 26, 2021
(4)	Major shareholders and shareholding ratio	Shanghai Qihua Investment Partnership (Limited Partnership): 99.00%	Hou Qing Zhuang: 95.00%
(5)	Representative	Business execution partner: Shanghai Smallville Asset Management Co., Ltd.	Business execution partner: Gaoyuan (Anji) Equity Investment Fund Co., Ltd
(6)	Contents of business	Commercial services	Commercial services
(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	10 million yuan (170 million yen)	10 million yuan (170 million yen)

*1 Chinese yuan = 17.0 yen

		No. 11
(1)	Company name	Shanghai Luoda Investment and Consulting Co., Ltd

(2)	Capital	0.5 million yuan (8.5 million yen)
(3)	Date of establishment	June 14, 2013
(4)	Major shareholders and shareholding ratio	Zhou Fang: 80%
(5)	Representative	Zhou Fang, Executive Director
(6)	Contents of business	Commercial services
(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.
(8)	Contribution amount	2 million yuan (34 million yen)

*1 Chinese yuan = 17.0 yen

6. Schedule

(1)	Date of resolution by AQM-N Board of Directors	August 9, 2021 (scheduled)
(2)	Date of resolution by the Board of Directors of the Company	August 6, 2021
(3)	Settlement date	August 25, 2021

7. Future outlook

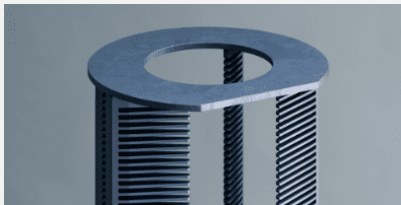
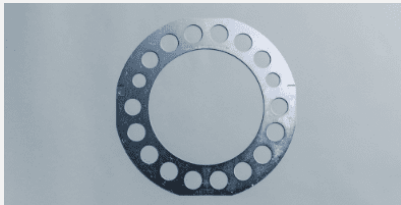
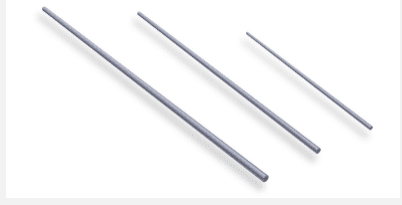
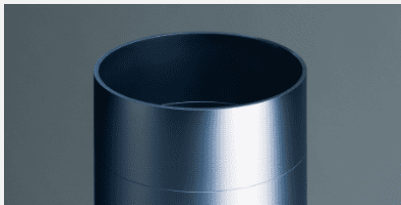
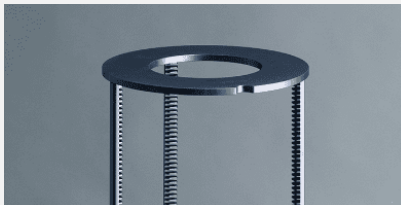



The impact of the transaction on consolidated earnings is currently under review. We will promptly announce details on this if deemed necessary.

<References>

Appendix I: List of news releases concerning AQM-N

News release date	Title
April 15, 2021	(Progress and Correction of a Disclosed Item) 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
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

Appendix II: List of products offered by AQM-N

		
High-temperature annealing boat	Si ring for high temperature	Injector
		
Liner	Boat	Pedestal
		
Silicon etcher parts	Quartz crucibles	