

September 15, 2021

**Notice of the Establishment of an Area Management Company
(a Foreign-Affiliated Holding Company) in China**

Ferrotec Holdings Corporation (headquartered at 2-3-4 Nihonbashi, Chuo-ku, Tokyo; Representative Director: He Xian Han; hereinafter “the Company”) announces that, at the meeting of Board of Directors held today, we resolved to transform Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd. (hereinafter “FTS”), which is a consolidated subsidiary of the Company, into a foreign-affiliated holding company*1 for area management in China, in order to strengthen the management of our corporate group.

1. Purpose of the establishment

Since we made our first foray into the Chinese market in Hangzhou, China in 1992, we have established our footholds in Shanghai, Tianjin, Yinchuan, Dalian, Neijiang, Tongling, Quzhou, and Dongtai, and made group-wide efforts to expand our business in China. As of now, we have 40 subsidiaries and affiliated companies in China, and operate the semiconductor equipment-related business, the electronic device business, and other businesses. Our corporate group has resolved to transform the consolidated subsidiary FTS from a business company to a foreign-affiliated holding company for area management, for the purpose of further expanding our business operations in China, which will remain an important market. Through this, we will be able to receive the preferential treatment for promoting the growth of area management departments of multinational corporations from Shanghai Municipal People’s Government, and conduct cross-sectoral supervision/management and operation of group companies. It is expected to offer products and services with high added value, create new business domains, and improve the brand power of our Group in the Chinese market, while streamlining our business administration. We have no plan to transfer the capital of any of our Chinese subsidiaries or affiliated companies through this organizational restructuring.

*1: It means a holding company whose business purpose is to directly invest in business companies and whose foreign ownership is 25% or higher. In order to transform a company into a holding company for area management, it is necessary to obtain the approval of administrative authorities (the Ministry of Commerce of the People’s Republic of China, Shanghai Municipal Commission of Commerce, and Baoshan District Department of Commerce).

2. Overview of the area management company

(1)	Trade name	Shanghai Shenhe Thermo-Magnetics Holdings Co., Ltd. (provisional) [Current corporate name: Shanghai Shenhe Thermo-Magnetics Electronics Co., Ltd.]	
(2)	Address	181 ShanLian Road, BaoShan Vrbn Industrial Garden, Shanghai, China	
(3)	Title and name of representative	He Xian Han, Representative Director (Representative Director/President/Group CEO)	
(4)	Contents of business	Quality control, management of technological R&D, marketing management, manufacturing management, management of funds, brand management, and other related businesses	
(5)	Capital	1,497,005,000 yuan (approx. 25.5 billion yen) *1 Chinese yuan = 17.05 yen	
(6)	Date of establishment	May 17, 1995 (date of establishment of FTS)	
(7)	Major shareholders and shareholding ratio	Ferrotec Holdings Corporation: 100%	
(8)	Relationship between the foreign-affiliated holding company and the company	Capital relationship	100% consolidated subsidiary of the Company
		Personnel relationship	The representative director and president of the Company concurrently serves as director of the holding company.
		Business relationship	Purchase agency business, debt guarantee and lending of funds

*The above contents may be revised partially, according to the results of examination by administrative authorities, etc.

3. Schedule

(1)	Date of resolution by the Board of Directors of the Company	September 15, 2021
(2)	Date of resolution by the Board of Directors of the holding company	September 15, 2021
(3)	Acquisition of a business license	During November 2021 (scheduled)

4. Future outlook

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