

**Notice of the Establishment of a New Company (Specified Subsidiary)
for the Sensor Business in Lishui, Zhejiang, China**

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter “the Company”) announces that, at the meeting of Board of Directors held today, we resolved to establish a new company (specified subsidiary) for the sensor business in Lishui, Zhejiang, China as a joint venture between Shanghai Shenhe Investment Co., Ltd. (hereinafter “FTS”), which is a subsidiary managing the business in China, and enterprises affiliated with Lishui City.

This new company will become a consolidated subsidiary of the Company, and the amount of capital contribution is expected to exceed 10% of our capital stock, so the new company will fall under the category of a specified subsidiary. Accordingly, we hereby disclose this matter.

1. Background and purpose of this contract

•According to the Company’s survey, the scale of the global market of temperature sensors was about 925 billion yen in 2022 and is projected to reach about 1.21 trillion yen in 2029 at an annual growth rate of about 13%. Its business field includes automobiles, such as EVs, new energy, optical telecommunication, and home appliances, and is expected to grow significantly.

•With the aim of entering the temperature sensor market in China early and expanding our market share, we have made efforts to manufacture and sell sensors and thermistor bodies in China and then launch and expand other temperature sensor businesses in China.

•Under these circumstances, it became possible to secure land suited for a new factory in Lishui, Zhejiang, where our equity-method affiliate has a production site for silicon wafers, so we discussed details with the management committee for Lishui Economic and Technological Development Zone, and then agreed with the establishment of a joint venture (new company) with enterprises in which Lishui City invested. We will proceed with the acquisition of land and commercialization for manufacturing sensors.

•In addition, we are expected to receive favorable treatment and support (subsidies for construction, fixed assets, and interest on borrowing, support for personnel projects, etc.) from Lishui City for this business.

2. Overview of the subsidiary

1) Subsidiary to be established

(1)	Name	Ferrotec (Zhejiang) Information Technology Co., Ltd.	
(2)	Address	Economic Development Zone, Liandou District, Lishui City, People’s Republic of China	
(3)	Title and name of representative	He Xian Han, Legal representative	
(4)	Contents of business	Manufacturing and sale of electronic materials, such as sensors, development of related technologies, etc.	
(5)	Capital	2 billion yuan (approx. 41.5 billion yen) *1 Chinese yuan = 20.75 yen *50 million yuan (approx. 1 billion yen) at the time of establishment	
(6)	Date of establishment	November 2023 (planned)	
(7)	Major shareholders and shareholding ratio	Shareholder	
			Shareholding ratio
		Shanghai Shenhe Investment Co., Ltd. (FTS)	51.0%
	Lishui Nancheng New District Investment and Development Co., Ltd.	29.0%	
	Lishui Gaoke Financial Investment Shareholding Company	20.0%	
(8)	Relationship between the new company and the companies	Capital relationship	A subsidiary 51.0% of whose voting rights are owned by FTS, a consolidated subsidiary of the Company
		Personnel	Two directors of the Company will concurrently serve as

News Release: Ferrotec Holdings Corporation (6890 TSE Standard)

	relationship	director of the subsidiary.
	Business relationship	Nothing is applicable.

2) FTS as of September 30, 2023

(1)	Name	Shanghai Shenhe Investment Co., Ltd. (FTS)	
(2)	Address	181 Shanlian Road, Baoshan City Industrial Park, Shanghai City, People's Republic of China	
(3)	Title and name of representative	He Xian Han, Legal representative	
(4)	Contents of business	Quality control, management of technological R&D, marketing, production operation, funds, and brands, and other related businesses	
(5)	Capital	2,299,255,000 yuan (approx. 47.7 billion yen) 1 Chinese yuan = 20.75 yen	
(6)	Date of establishment	May 17, 1995	
(7)	Major shareholders and shareholding ratio	Ferrotec Holdings Corporation: 100%	
(8)	Relationship between FTS and the Company	Capital relationship	A wholly owned consolidated subsidiary of the Company
		Personnel relationship	The representative director and president of the Company concurrently serves as director of the subsidiary.
		Business relationship	Purchase agency business, debt guarantee and lending of funds

3. Outline of the capital investors (enterprises in which Lishui City invested)

1) Lishui Nancheng New District Investment and Development Co., Ltd.

(1)	Name	Lishui Nancheng New District Investment and Development Co., Ltd.
(2)	Address	Lishui City, Zhejiang Province, People's Republic of China
(3)	Legal representative	Zhang He Huan
(4)	Capital	300 million yuan (approx. 6.2 billion yen) *1 Chinese yuan = 20.75 yen
(5)	Date of establishment	July 13, 2010
(6)	Major shareholders and shareholding ratio	Lishui Economic and Technological Development Zone Industrial Development Group Co., Ltd: 100%

2) Lishui Gaoke Financial Investment Shareholding Company

(1)	Name	Lishui Gaoke Financial Investment Shareholding Company
(2)	Address	Lishui City, Zhejiang Province, People's Republic of China
(3)	Legal representative	Ying Qiao Jiang
(4)	Capital	1 billion yuan (approx. 20.8 billion yen) *1 Chinese yuan = 20.75 yen
(5)	Date of establishment	October 22, 2020
(6)	Major shareholders and shareholding ratio	Lishui Biological Industry Zone Management Committee: 100%

4. Future outlook

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