

July 18, 2024

Notice of the Establishment of a New Metal Processing Company (Specified Subsidiary) in Changshan, China, the Increase in Capital in an Existing Subsidiary, the Conversion of an Existing Subsidiary to a Specified Subsidiary and Capital Investment (Construction of a New Factory)

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter “the Company”) announces that, at the meeting of the Board of Directors held yesterday, we resolved to establish a new company whose main business will be metal processing (hereinafter “the new company”) through a joint venture between our subsidiary Zhejiang Advanced Precision Machinery Co., Ltd. (hereinafter “FTAP”) and a Changshan Government-invested company and to construct a new factory in Changshan. Details are as follows.

The new company will be our consolidated subsidiary, whose capital will exceed 10% of our capital, so it will correspond to a specified subsidiary. Therefore, we make this disclosure. Moreover, we announce that FTAP will also convert into a specified subsidiary with the increase in its capital of 100 million yuan due to this matter.

1. Background and purposes

- There has been remarkable growth in locally-owned semiconductor equipment manufacturers in China in recent years in the semiconductor manufacturing equipment market. This growth has also supported equipment demand even in the adjustment phase in 2023. It is expected that this demand will remain strong from this year and onward. It is assumed that it will account for a large portion of global demand.
- We have built mass production bases in China and supplied products globally over the past 30 years. At the same time, we have built extremely good relationships with local semiconductor equipment manufacturers in China, including major manufacturers. Against this backdrop, semiconductor equipment manufacturers in China have been asking their suppliers, including the Company, to focus on improving production capacity – in particular, vacuum chamber processing capacity and assembly capacity – to ensure they can continue to enjoy high growth in the future.
- We have been certified by many customers at our existing metal processing factories (Hangzhou and Changshan). Nevertheless, we are unable to meet all customer demand at the present time. In particular, we have considered how to cover the shortfall in capacity for large vacuum chamber processing and equipment assembly in the future. As a result, we have decided to increase our production capacity for metal processing in Changshan. This will enable us to increase our share of the market for local manufacturers in China.
- We will construct the factory in collaboration with our subsidiary Hangzhou Dahe Thermo-Magnetics Co., Ltd. (FTH).
- In addition, we expect to obtain various preferential policies and support (including fixed asset subsidies and loan interest subsidies) from the Changshan government in this project.

2. Increase of capital of our subsidiaries

		FTAP (Zhejiang, China)	New company (Zhejiang, China)
(1)	Current capital	140.87 million yuan (approx. 3.1 billion yen)	-
(2)	Capital increase to be implemented this time	100 million yuan (approx. 2.2 billion yen)	100 million yuan (approx. 2.2 billion yen)
(3)	Registered capital after capital increase	240.87 million yuan (approx. 5.3 billion yen)	100 million yuan (approx. 2.2 billion yen)

*Exchange rate: 1 Chinese yuan = 22.16 yen

*The increase in capital is subject to obtaining approval from the Chinese regulatory authorities.

3. Overview of the capital investment (new factory)

(1)	Investment amount	266.23 million yuan (approx. 5.9 billion yen) *1 Chinese yuan = 22.16 yen FTH: 72.43 million yuan (approx. 1.6 billion yen) New company: 193.80 million yuan (approx.4.3 billion yen)
(2)	Total floor area of the	Approx. 58,000 m ²

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	building	
(3)	Schedule	Start of construction: August 2024 Completion of the building: July 2025 Equipment installation: October 2025
(4)	Scheduled date of start of operation	December 2025

4. Outline of our subsidiaries

1) New company (specified subsidiary)

(1)	Name	Ferrotec (Zhejiang) Semiconductor Material Co., Ltd.	
(2)	Address	No. 2 Longjiang Rd., Changshan, Quzhou City, Zhejiang Province, People's Republic of China	
(3)	Title and name of Representative	He Xian Han, Representative Director	
(4)	Contents of business	Design, manufacturing, and contract processing of precision parts for semiconductor equipment, etc.	
(5)	Capital	305 million yuan (approx. 6.8 billion yen) *1 Chinese yuan = 22.16 yen *Capital at the time establishment is 100 million yuan (approx. 2.2 billion yen).	
(6)	Date of establishment	July 2024 (planned)	
(7)	Major shareholders and shareholding ratio	Shareholders	Shareholding ratio
		Zhejiang Advanced Precision Machinery Co., Ltd. (FTAP)	83.6%
		Changshan Government-invested company (under adjustment)	16.4%
(8)	Relationship between Ferrotec (Zhejiang) Semiconductor Material Co., Ltd. and the companies	Capital relationship	Ferrotec (Zhejiang) Semiconductor Material Co., Ltd. is a subsidiary 83.6% of whose voting rights are held by FTH, a consolidated subsidiary of the Company.
		Personnel relationship	The representative director and president of the Company will concurrently serve as director of the subsidiary.
		Business relationship	Nothing is applicable.

2) FTAP as of June 30, 2024 (converted into a specified subsidiary)

(1)	Name	Zhejiang Advanced Precision Machinery Co., Ltd. (FTAP)		
(2)	Address	No.7 Longjiang Rd., Xindou Industrial Development Zone, Changshan, Quzhou City, Zhejiang Province, People's Republic of China		
(3)	Title and name of Representative	He Xian Han, Representative Director		
(4)	Contents of business	Design, manufacturing, and contract processing of precision parts for semiconductor equipment, etc.		
(5)	Capital	140.87 million yuan (approx. 3.1 billion yen) *1 Chinese yuan = 22.16 yen		
(6)	Date of establishment	March 18, 2014		
(7)	Major shareholders and shareholding ratio	Shareholders	Current	After capital increase
		Hangzhou Dahe Thermo-Magnetics Co., Ltd. (FTH)	93.0%	95.9%
		Advanced Automation Technology (Hangzhou) Co., Ltd.	1.7%	1.0%

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(8) Relationship between FTAP and the companies	Capital relationship	FTAP is a subsidiary 93.0% of whose voting rights are held by FTH, a consolidated subsidiary of the Company.	
	Personnel relationship	The representative director and president of the Company concurrently serves as director of the subsidiary.	
	Business relationship	Nothing is applicable.	
(9) Financial position and operating results in the past three years (unit: thousand Chinese yuan) *Yen conversion: 1 Chinese yuan = 22.16 yen			
Fiscal year	FY12/2021	FY12/2022	FY12/2023
Net assets	172,544 (Approx. 3.8 billion yen)	307,176 (Approx. 6.8 billion yen)	312,642 (Approx. 6.9 billion yen)
Total assets	430,767 (Approx. 9.5 billion yen)	771,082 (Approx. 17.1 billion yen)	741,398 (Approx. 16.4 billion yen)
Net asset per share (yuan)	3.45 (Approx. 76 yen)	2.18 (Approx. 48 yen)	2.22 (Approx. 49 yen)
Net sales	412,899 (Approx. 9.1 billion yen)	467,571 (Approx. 10.4 billion yen)	542,299 (Approx. 12 billion yen)
Net income	46,425 (Approx. 1 billion yen)	43,758 (Approx. 1 billion yen)	5,466 (Approx. 0.1 billion yen)
Dividend per share	-	-	-

3) FTH as of June 30, 2024

(1) Name	Hangzhou Dahe Thermo-Magnetics Co., Ltd.	
(2) Address	No.777 Binkang Rd., Binjiang, Hangzhou City, Zhejiang Province, People's Republic of China	
(3) Title and name of Representative	He Xian Han, Representative Director (Representative Director, President and Group CEO of the Company)	
(4) Contents of business	Semiconductor Equipment-related Business, Electronic Device Business, etc.	
(5) Capital	1,615.49 million yuan (approx. 35.8 billion yen) *1 Chinese yuan = 22.16 yen	
(6) Date of establishment	January 31, 1992	
(7) Major shareholder and shareholding ratio	Ferrotec Holdings Corporation: 100%	
(8) Relationship between FTH 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 and debt guarantee

5. Outline of the joint venture investor (Government-invested company)

(1) Name	Changshan Government-invested company (under adjustment)
(2) Address	Quzhou City, Zhejiang Province

6. 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.