

July 18, 2024

Notice of the Establishment of a New Silicon Parts Company in Malaysia, 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 silicon parts manufacturing subsidiary called Ferrotec Silicon (Malaysia) Sdn. Bhd. (hereinafter “FTHSM”) in southern Malaysia and to construct a new factory there as well. Details are as follows.

Together with this, we would like to announce that our Japanese subsidiary Ferrotec Silicon Japan Corporation (hereinafter “FTHSJ”) will convert into a specified subsidiary because we will increase the capital in the company to invest in FTHSM as a result of this matter.

1. Background and purposes

- As one of our semiconductor manufacturing component businesses (semiconductor materials), the Silicon Parts Business has grown rapidly in response to the increasing demand for semiconductor manufacturing equipment in recent years. In terms of production, we have production bases in Hangzhou, Yinchuan and Changshan in China. With those bases, we have realized a stable supply in response to strong customer demand., and built long-term relationships of trust with major global customers.
- Nevertheless, our major customers have been shifting their production bases to the outside of China, such as Southeast Asia, due to changes in the business environment in recent times. In light of this, we have now decided to construct a new factory in southern Malaysia. We will aim to capture more customer demand for further growth through production in this area.
- We will establish the new factory by leasing the factory site of Ferrotec Power Semiconductor Malaysia Sdn. Bhd. (hereinafter “FLHM”) as we announced in “Notice of Capital Investment (Construction of a New Factory) in Malaysia by Subsidiary that Manufactures Insulated Heat Dissipating Substrates for Power Semiconductors” dated July 19, 2023. We will aim to speed up the launch of the factory and reduce investment costs by employing this method.
- Moreover, Hangzhou Dunnyuan Juxin Semiconductor Technology Co., Ltd. (hereinafter “FTHS”), our core subsidiary for silicon parts manufacturing, will invest in the establishment of FTHSM through FTHSJ. We expect this investment will result in FTHSJ’s capital exceeding 10% of our capital. Therefore, we announce that it will convert into a specified subsidiary.

2. Increase of capital of our subsidiaries

		FTHSJ	New company (FTHSM)
(1)	Current capital	100 million yen	-
(2)	Capital increase to be implemented this time	2,888.55 million yen	130.35 million yuan (approx. 2.9 billion yen)
(3)	Registered capital after capital increase	2,988.55 million yen	130.35 million yuan (approx. 2.9 billion yen)

*Exchange rate: 1 Chinese yuan = 22.16 yen

3. Overview of the capital investment (new factory)

(1)	Investment amount	130.35 million yuan (approx. 2.9 billion yen) *1 Chinese yuan = 22.16 yen Factory modification cost: 39 million yuan (approx. 900 million yen) Machinery, equipment, etc.: 91.35 million yuan (approx.2 billion yen)
(2)	Location of the new factory	Johor Bahru, Johor, southern Malaysia
(3)	Total floor area of the building	Approx. 6,000 m ²
(4)	Schedule	Start of the equipment ordering: October 2024 Start of the interior work: December 2024 Completion of the equipment installation: May 2025

News Release: Ferrotec Holdings Corporation (6890 TSE Standard)

(5)	Scheduled date of start of operation	August 2025
-----	--------------------------------------	-------------

4. Outline of our subsidiaries

1) New company (FTHSM)

(1)	Name	Ferrotec Silicon (Malaysia) Sdn. Bhd. (FTHSM)	
(2)	Address	Johor Bahru, Johor, southern Malaysia	
(3)	Title and name of Representative	Su Jin Fa, Legal Representative	
(4)	Contents of business	R&D, production and sale of silicon parts for semiconductors, etc.	
(5)	Capital	130.35 million yuan (approx. 2.9 billion yen) *1 Chinese yuan = 22.16 yen	
(6)	Date of establishment	July 2024 (planned)	
(7)	Major shareholder and shareholding ratio	Ferrotec Silicon Japan Corporation (FTHSJ): 100%	
(8)	Relationship between FTHSM and the company	Capital relationship	FTHSM is a subsidiary whose voting rights are completely held by FTHSJ, 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) FTHSJ as of June 30, 2024 (converted into a specified subsidiary)

(1)	Name	Ferrotec Silicon Japan Corporation (FTHSJ)	
(2)	Address	2-3-4 Nihonbashi, Chuo City, Tokyo	
(3)	Title and name of Representative	Toshihiro Ishizuki, Representative Director and President	
(4)	Contents of business	Sale of silicon parts, silicon materials and quartz crucibles for semiconductors, etc.	
(5)	Capital	100 million yen	
(6)	Date of establishment	December 6, 2022	
(7)	Major shareholder and shareholding ratio	Hangzhou Dunyuan Juxin Semiconductor Technology Co., Ltd. (FTHS): 100%	
(8)	Relationship between FTHSJ and FTHS	Capital relationship	FTHSJ is a subsidiary whose voting rights are completely held by FTHS, a consolidated subsidiary of the Company.
		Personnel relationship	The director of the Company concurrently serves as director of the subsidiary.
		Business relationship	Nothing is applicable.
(9)	Financial position and operating results in the past two years (unit: million yen)		
	Fiscal year	FY12/2022	FY12/2023
	Net assets	178	158
	Total assets	178	181
	Net asset per share (yen)	0.99	0.88
	Net sales	0	100
	Net income	-1	-19
	Dividend per share	-	-

News Release: Ferrotec Holdings Corporation (6890 TSE Standard)

3) FTHS as of June 30, 2024

(1)	Name	Hangzhou Dunyuan Juxin Semiconductor Technology Co., Ltd. (FTHS)	
(2)	Address	Bldg. C, No. 668 Binkang Rd., Binjiang, Hangzhou, Zhejiang, People's Republic of China	
(3)	Title and name of Representative	He Xian Han, Representative Director	
(4)	Contents of business	R&D, production and sale of silicon parts for semiconductors, etc.	
(5)	Capital	300 million yuan (approx. 6.6 billion yen) *1 Chinese yuan = 22.16 yen	
(6)	Date of establishment	December 18, 2018	
(7)	Major shareholder and shareholding ratio	Ningxia Dunyuan Juxin Semiconductor Technology Corporation (FTNC): 100%	
(8)	Relationship between FTHS and FTNC	Capital relationship	FTHS is a subsidiary whose voting rights are completely held by FTNC, 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.

5. 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.