

November 7, 2012

Notice of Revisions to Business Forecasts and Dividends and Extraordinary Loss and Reversal of Deferred Tax Assets

The Board of Directors of Ferrotec Corporation on November 7, 2012 approved a resolution to establish and implement a "Business Structural Reform Plan." Simultaneously, the Company revised down its previous earnings and dividend forecasts announced on May 18, 2012. Details are as follows. Furthermore, the Company is expected to incur an extraordinary loss and also plans reversal of deferred tax assets.

● **Revisions to business forecasts**

Revisions to consolidated forecasts for the six month ended September 30, 2012

(April 1, 2012 to September 30, 2012)

Unit: Yen in millions

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecasts (A)	22,000	-400	-600	-650	-21.00
Revised forecasts (B)	20,000	-2,200	-2,800	-6,200	-201.26
Increase/decrease (B-A)	-2,000	-1,800	-2,200	-5,550	
Percentage change (%)	-9.1	—	—	—	
(Ref.)Previous 2Q results (2Q of FY2012)	35,737	3,564	3,138	1,968	71.88

Revisions to consolidated forecasts for the year ending March 2013

(April 1, 2012 to March 31, 2013)

Unit: Yen in millions

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecasts (A)	50,000	1,200	800	450	14.60
Revised forecasts (B)	39,000	-3,400	-4,400	-8,300	-269.43
Increase/decrease (B-A)	-11,000	-4,600	-5,200	-8,750	
Percentage change (%)	-22.0	—	—	—	
(Ref.)Previous results (FY2012)	60,088	4,124	3,287	1,715	59.18

Revisions to non-consolidated forecasts for the year ending March 2013

(April 1, 2012 to March 31, 2013)

Unit: Yen in millions

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecasts (A)	—	—	—	—	—
Revised forecasts (B)	14,000	-370	-500	-3,630	-117.83
Increase/decrease (B-A)	-3,118	-818	-1,633	-4,573	
Percentage change (%)	-18.2	—	—	—	
(Ref.)Previous results (FY2012)	17,118	448	1,133	943	32.55

Reasons for revisions

In the photovoltaic industry to which Ferrotec belongs, photovoltaic panel prices slumped significantly in the first half of the current fiscal year due to excessive production by Chinese manufacturers. The trend is expected to continue for the foreseeable future. As a result, panel manufacturers are scaling back production. This has affected capital investment. Capital investment plans are also being temporarily shelved in the electronics industry,

including the semiconductor and FPD sectors. As a result, this sector seems to have entered a period of demand-supply adjustment.

In the photovoltaic-related business, the Ferrotec Group markets silicon crystal furnaces. Demand for manufacturing equipment in this sector has been affected due to production cutbacks worldwide. This in turn has led to sluggish sales of Ferrotec's equipment. Lower capacity utilization at Ferrotec's client companies have also reduced demand for quartz crucibles and other consumables. Ferrotec also supplies silicon crystals, wafers and photovoltaic cells. Profit in these product lines has been adversely affected by price declines exceeding Ferrotec's expectations. At the same time, Ferrotec's equipment-related business and electronics business lack the strength to offset the above profit declines.

In view of recent order trends, Ferrotec expects sales to be significantly lower than projected earlier. Furthermore, the deterioration of market environment for the photovoltaic cell-related business is likely to be prolonged as business performance of Ferrotec's client companies turns sluggish. Ferrotec has allocated approximately 700 million yen as reserves for doubtful receivables in preparation for possible defaults by several clients. Ferrotec has also taken a charge of approximately 800 million yen for possible inventory losses on raw materials that have now become redundant and to allow for lower profitability on equipment components. As a consequence, Ferrotec now expects to post an operating loss. Ferrotec is implementing the aforementioned Business Structural Reform Plan in order to overcome the adverse situation. The implementation of this plan will entail an extraordinary loss of approximately 3.4 billion yen. Reversal of 600 million yen from the deferred assets account will lead to an estimated 8.3 billion yen net loss.

Ferrotec is revising its business forecast downward as shown above since there is no prospect for recovery in the photovoltaic-related business and production adjustment in the electronic business is likely to be prolonged.

●Revisions to dividend forecast

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
Previous forecast (Announced on May 18, 2012)	Yen —	Yen 0.00	Yen —	Yen 20.00	Yen 20.00
Revised forecast	—	0.00	—	5.00	5.00
Current results	—	0.00	—		
Previous results (Year ended Mar. 2012)	—	0.00	—	20.00	20.00

Reasons for revisions

The dividend forecast for the current fiscal year ending on March 31, 2013 is also revised to factor in the revised earnings outlook.

Ferrotec considers the return of profits to shareholders to be an important management task. The Company's basic policy is to continue a stable dividend while striving to maintain sufficient internal reserves and enhance a sound balance sheet in preparation for capital investment, M&A and other opportunities for future business growth.

In the current fiscal year the Company expects to post a significant net loss since a 3.4 billion yen extraordinary loss is likely to be incurred.

It is with great regret that we propose a year-end dividend of 5.00 yen per common share. Despite the inconvenience that we will cause, Ferrotec seeks understanding toward its stock holder as the company implements the Business Structural Reform Plan and make every effort possible to restore business performance.