May 11, 2015

Notice Concerning Posting of Extraordinary Loss and Revisions to Business Forecast

At the board of directors meeting held on May 11, 2015, Ferrotec Corporation resolved to post the extraordinary loss in the consolidated fiscal year ended March 2015 and revise its business forecasts for the fiscal year ended March 2015 announced on November 7, 2014. Details are as follows.

● Revisions to consolidated business forecasts for the fiscal year ended March 2015
(April 1, 2014 through March 31, 2015)

(Million yen)

	Net sales	Operating income	Ordinary income	Net income	Net income per share (yen)
Previous forecast (A)	56,000	2,000	1,500	800	25.97
Revised forecast (B)	59,000	1,670	2,030	-2,140	-69.46
Increase/decrease (B-A)	3,000	-330	530	-2,940	
Percentage change %	5.4	-16.5	35.3	-	
(Ref.) Previous results (FY3/14)	44,745	798	1,262	1,391	45.18

Reason for the revision

1. Reasons for extraordinary losses
In its Photovoltaic-related businesses, Ferrotec has seen a decline in the profitability of some of its fixed assets in response to changes in the market and in the operating environment, with the result that the company have incurred impairment losses on the disposal of excess equipment and in marking down to the recoverable value for fixed assets that have declined in profitability. Consequently, the company have booked extraordinary losses of ¥335 billion (fiscal year accumulated basis) in fixed asset impairment losses, etc.

Future plans

As mentioned above, Ferrotec booked extraordinary losses in the fiscal year ended March 2015, but thanks to the progress the company are making with consolidating the production of photovoltaic products from its Chinese plants in Shanghai and Hangzhou into the Yinchuan plant located in the Ningxia Hui autonomous region, the company shall continue to improve profitability into the future by reducing equipment and other fixed costs, as well as electric power and labor expenses as a direct result of the benefits from the superiority of the Yinchuan plant in these areas.

Moreover, the vacant lots at both the Shanghai and Hangzhou plants resulting from this relocation of activities will allow the company to expand the production lines for raw materials for thermo-electronic modules for thriving electronic devices business, and the company is also currently planning to undertake activity to expand production lines for DCB substrates for power semiconductor applications. Moreover, the company are planning to expand its production lines to satisfy growing demand in areas such as ceramics products and the cleaning of manufacturing apparatus components.

2. Revisions to business forecasts

Thanks to growth in the electronics and automobile industries, sales of the products have been strong. Operating income declined as a result of losses booked in cost of goods resulting from the impact of lower prices for silicon for solar cells. Ordinary income rose in response to the occurrence of currency valuation gains due to the persistence of yen weakness in foreign exchange markets. Extraordinary losses related to disposals of equipment, impairment losses taken in photovoltaic-related businesses are resulted in a net loss being recorded for the fiscal year.

However, the company are maintaining its year-end dividend at 8 yen per share.

(Note) Above forecasts regarding future performance are based on information available at the time this report was prepared. Actual results may differ from the forecasts due to various factors.