

May 15, 2018

Notice Regarding Posting of Extraordinary Loss and Differences Between the Full-year Consolidated Business Forecasts and the Actual Results

Ferrotec Holdings Corporation announces that the Company posted an extraordinary loss as follows and there were differences between the full-year consolidated business forecasts for the fiscal year ended March 2018, which was announced on November 14, 2017, and the actual results.

1. Regarding posting of an extraordinary loss and its details

Concerning the unpaid lease fee pertaining to the lease contract of silicon crystal manufacturing equipment sold by Shanghai Hanhong Precision Machinery Co., Ltd. (Shanghai Hanhong), a subsidiary of the Company, on November 25, 2010 between AVIC International Leasing Co., Ltd. (AVIC International) and a third party (debtor), civil actions under the repurchase guarantee agreement were filed against Shanghai Hanhong with the Shanghai No.2 Intermediate People's Court by AVIC International on August 21, 2017, and, on February 9, 2018, a ruling was granted in favor of the claims by AVIC International. As the ruling by the Shanghai No.2 Intermediate People's Court was based on misleading facts, Shanghai Hanhong appealed the ruling to the Shanghai High People's Court and requested remand hearing or dismissal of claims on February 22, 2018. The appeal was accepted, and the case is under review.

The Company posted an estimated loss of 1,114 million yen, which is an estimation at this stage, as provision for the litigation loss under the extraordinary loss in the fiscal year ended March 2018.

a. Outline of the subsidiary that was sued

Company name: Shanghai Hanhong Precision Machinery Co., Ltd. (上海漢虹精密機械有限公司)

Location: Baoshan District, Shanghai, China

Representative: Hanxian He (賀賢漢)

Description of business: Manufacturing and sale of various kinds of manufacturing equipment

b. Outline of the company that brought the case

Company name: AVIC International Leasing Co., Ltd. (中航國際租賃有限公司)

Location: Shanghai Free-Trade Zone, China

Representative: 周勇 (original name only)

Description of business: Financial leasing business

c. Outline of the third party

Company name: 江蘇聚能硅業有限公司 (original name only)

Location: Suzhou City, Jiangsu Province

Representative: 莫衛華 (original name only)

Description of business: Manufacturing and sale of silicone for photovoltaic batteries

2. Revision of the full-year consolidated business forecasts for the fiscal year ended March 2018 (from April 1, 2017 to March 31, 2018)

	Net sales	Operating income	Ordinary income	Net income attributable to owners of parent	Net income per share
	Million yen	Million yen	Million yen	Million yen	Yen
Previous forecasts (A)	85,000	8,500	7,500	4,400	126.67
Actual (B)	90,597	8,437	7,157	2,678	77.08
Change (B-A)	5,597	-63	-343	-1,722	
Change rate (%)	6.6	-0.7	-4.6	-39.1	
(Reference) Previous results (FY3/17)	73,847	5,678	5,675	3,256	105.67

3. Reasons for the differences

Regarding net sales in the full-year business forecasts, capital investments and equipment utilization rates of semiconductor equipment manufacturers were high in the electronics industry to which our Group belongs, and our Group's sales of material products for semiconductor manufacturing equipment were strong. As for operating income, we disposed of inventory due to withdrawal from unprofitable products in the photovoltaic-related business, and we also posted a loss of 1,916 million yen, including the recording of provision for doubtful accounts of silicon crystal manufacturing equipment that we sold. As for net income attributable to owners of parent, due to the above-mentioned provision for the litigation loss and impairment of manufacturing facilities for withdrawal of unprofitable products in the photovoltaic-related business, we posted an extraordinary loss of 1,779 million yen, and fell below the forecasts.