

Regarding initiatives for realizing business administration conscious of capital cost and share price

Ferrotec Corporation (Stock Code: 6890)

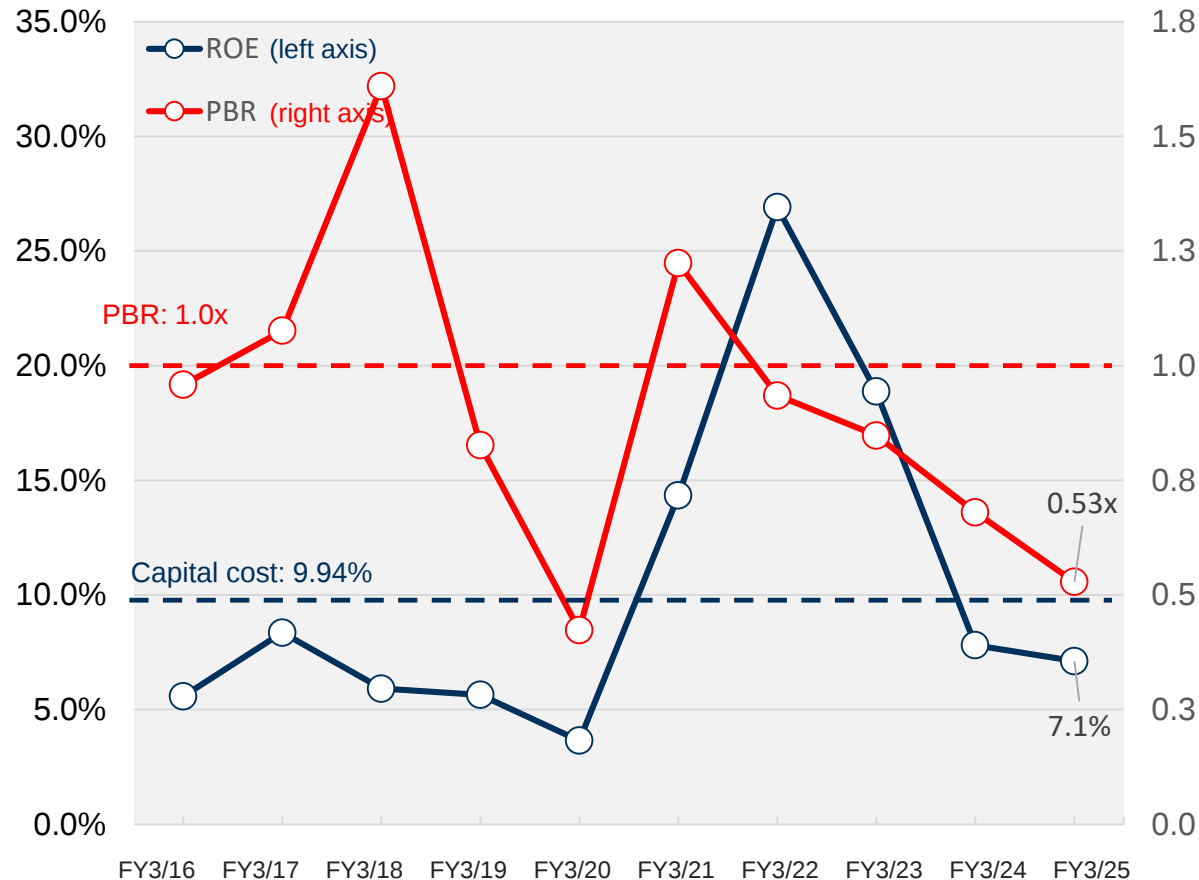
October 15, 2025



Ferrotec

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Variations in PBR and ROE (in the past 10 fiscal years)



$PBR = \text{Share price} \div \text{Net assets per share}$
 $ROE = \text{Net profit margin} \times \text{Total asset turnover} \times \text{Financial leverage}$
 $\text{Total asset turnover} = \text{Net sales} \div \text{Total assets}$
 $\text{Financial leverage} = \text{Total assets} \div \text{Equity capital}$

Cost of shareholders' equity: Calculated with the capital asset pricing model (CAPM)

Risk-free rate	Beta	Capital risk premiums	Individual risk premiums	Cost of shareholders' equity
Expected yield from risk-free assets	Sensitivity to capital risk premiums of individual assets	Premium of expected yield to be acquired from the market risk	Premium of expected yield to be acquired from individual (size) risks	
The yield of 20-year government bonds used	The β of the semiconductor manufacturing equipment industry adopted (external data)	Past stock market return adopted (external data)	Past return of small-cap stock - Past return of large-cap stock	
2.532%	1.610	4.60%	N.A.	
+ × + =				9.94% (FY3/25)

Policy for evaluating and improving the current situation

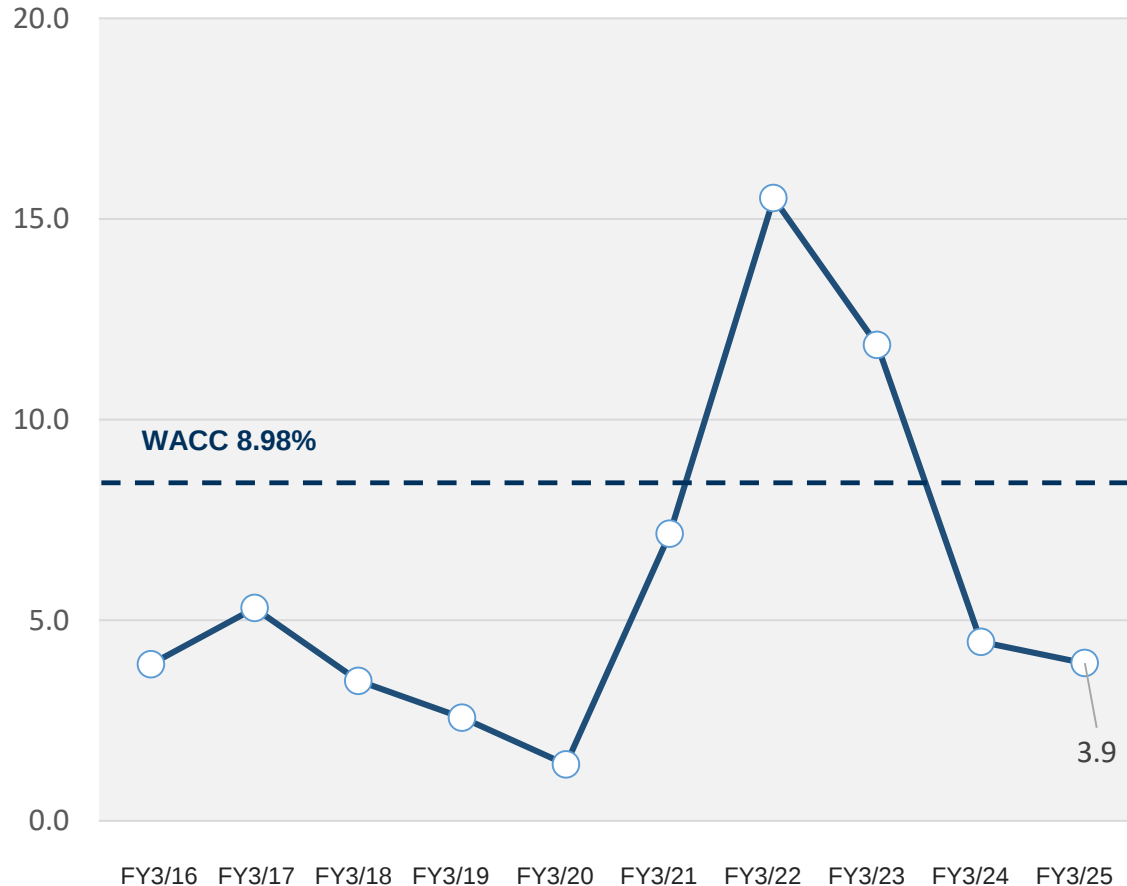
Evaluation of the current situation

- PBR: From FY3/22 to FY3/25, PBR remained less than 1.
- In FY3/25, PBR dropped to 0.53x, as ROE decreased from the previous fiscal year. The calculated cost of shareholders' equity in FY3/25 is 9.94%.
- ROE: In FY3/25, ROE was 7.1%, falling below the cost of shareholders' equity. We consider that it is necessary to brush up our earning capacity exceeding the cost of shareholders' equity.

Policy for improvement

- Improvement in PBR: Can be broken down into $ROE \times PER \Rightarrow$ Improvement in ROE and PER
- Improvement in ROE: In addition to achieving business and profit growth and strengthening profitability, our company will enhance ROE by improving total asset turnover and optimizing financial leverage through ROIC management and selection & concentration of business. Our company is aiming to achieve **ROE of 15%** by the fiscal year ending March 2027. (KPI in the Medium-Term Management Plan)
- Improvement in PER: We will strive to further enhance shareholder return policies and non-financial strategies (sustainability, IR, and SR).

Variation in ROIC (in the past 10 fiscal years; unit: %)



ROIC = Profit attributable to owners of parent / (Interest-bearing liabilities + Equity capital)

Note: EVA (Economic Value Added) represents the economic value created by a company. When the EVA spread (ROIC – WACC) is greater than zero, it indicates that the company is generating economic value.

Weighted average cost of capital (WACC)

Ratio of shareholders' equity	Cost of shareholders' equity	Leverage ratio	Cost of liabilities (after taxes)	WACC
Ratio of shareholders' equity to total assets		Ratio of interest-bearing liabilities to total assets	Borrowing rate × (1 - Effective tax rate)	
The median of 15 similar listed companies adopted	9.94% (FY3/25)	The median of 15 similar listed companies adopted	Post-tax yield of 8-year corporate bond rated by JCR as BBB adopted	8.98% (FY3/25)
88.8%		11.20%	1.97%	

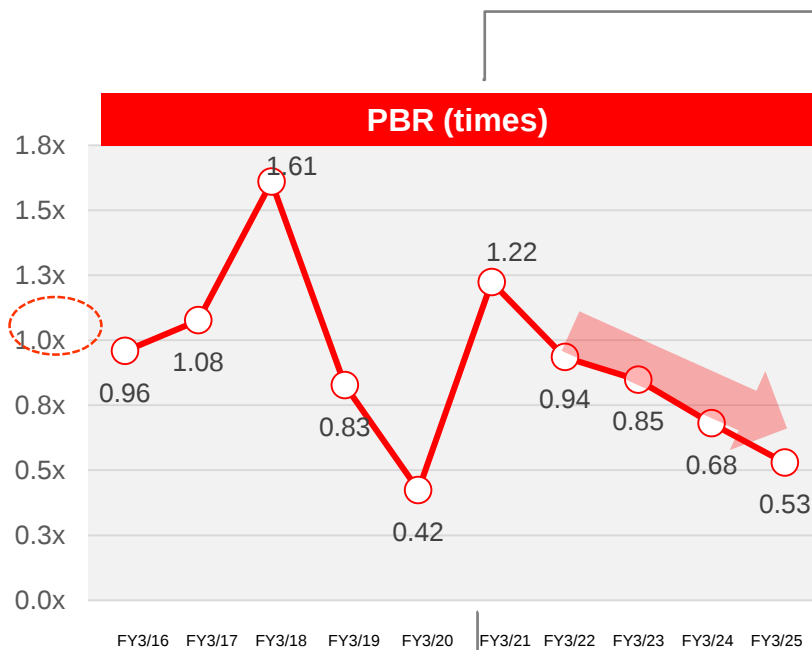
Policy for evaluating and improving the current situation

Evaluation of the current situation

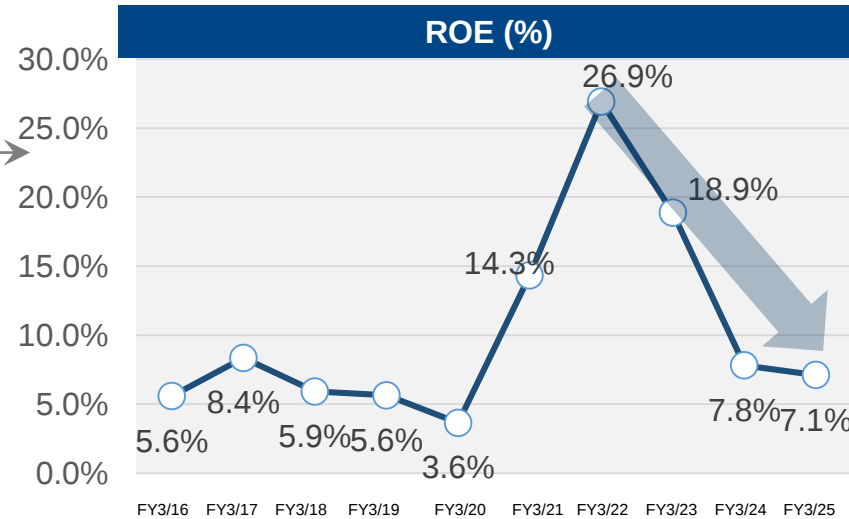
- In FY3/25, the value was 3.9%, much lower than WACC (8.98% in FY3/25). Namely, EVA spread* is negative.
- In the past 10 fiscal years, it exceeded WACC only in two fiscal years (FY3/22 and FY3/23). Accordingly, it is considered imperative to improve ROIC.

Policy for improvement

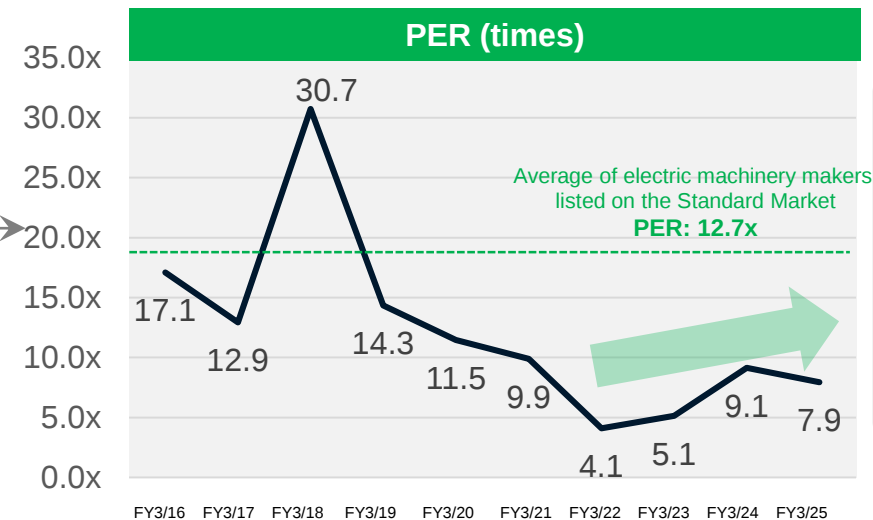
- To thoroughly manage ROIC in each business and each subsidiary and further strengthen investment judgment and control according to ROIC
- Improvement of ROIC through the revision of our business portfolio, selection and concentration of businesses, and group reorganization (including sale of businesses, partial sale of equity, and exclusion from the scope of consolidation)
- Through these measures, our company will improve ROIC while implementing investments for business growth. The target ROIC for the fiscal year ending March 2027 is 8.0%. (KPI in the Medium-Term Management Plan)



$PBR = ROE \times PER$
 $ROE = \text{Profit attributable to owners of parent} \div \text{Equity capital}$
 $PER = \text{Share price} \div \text{Earnings per share (EPS)}$



×



Factors

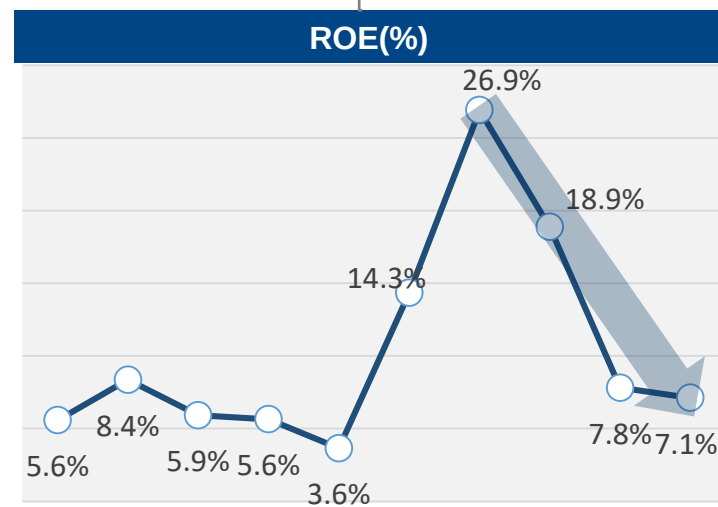
- ROE is obtained by multiplying (1) profit attributable to owners of parent, (2) total asset turnover, and (3) financial leverage, so their graphs were produced with reference to the data for the past ten fiscal years, and major factors were analyzed. (See the following slide.)
- As a result, it was concluded that the decline of ROE in the past 4 fiscal years is attributable to mainly the significant drop in net income margin.
- Variation in the ratio of profit attributable to owners of parent

FY3/22	FY3/23	FY3/24	FY3/25
19.9%	14.1%	6.8%	5.7%

Factors

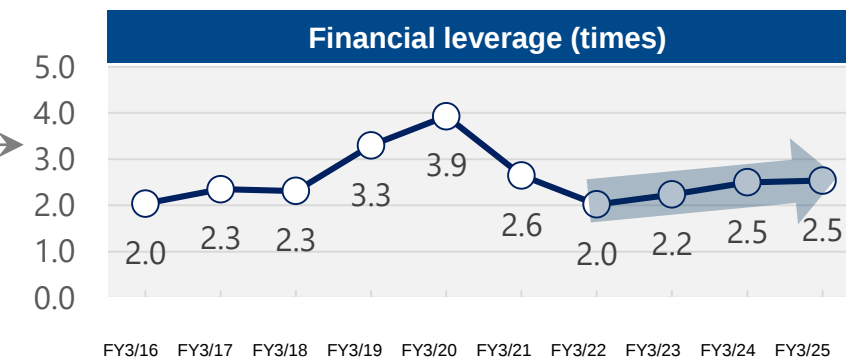
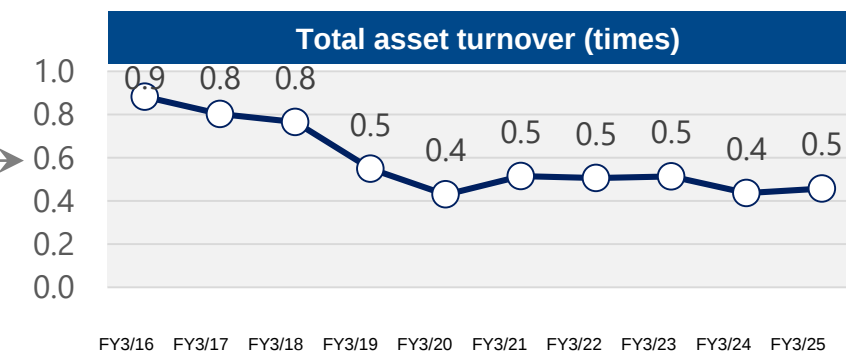
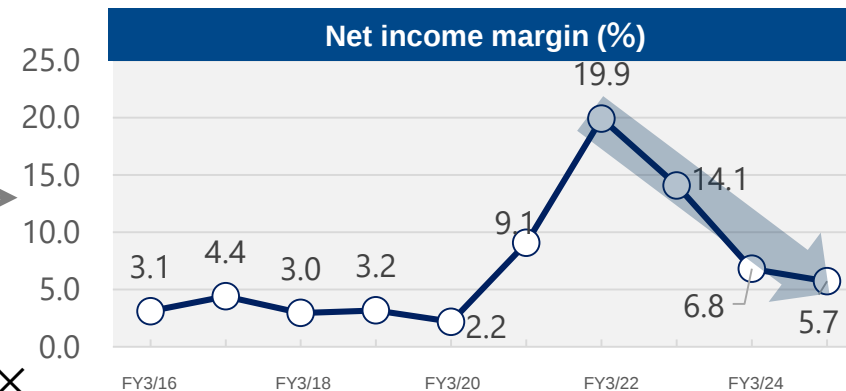
- PER in FY3/25 was 9.1, much lower than 12.7, the average of companies listed on the Standard Market in this industry (electric machinery) in FY3/25.
- We recognize the following items as major factors.
 - (1) Concerns about achieving profit growth corresponding to increased investment
 - (2) Concerns over future financing (profit dilution) associated with the continued free cash flow deficit caused by large-scale capital investments exceeding investing and operating cash flows
 - (3) Concerns over the impact of friction between the U.S. and China concerning semiconductors due to the concentration of production bases in China
 - (4) Impact resulting from the diverse range of business activities

Evaluation of the current situation: DuPont analysis of ROE



FY3/16 FY3/17 FY3/18 FY3/19 FY3/20 FY3/21 FY3/22 FY3/23 FY3/24 FY3/25

ROE = Net profit margin × Total asset turnover × Financial leverage
 Net income margin = Net income ÷ Net sales
 Total asset turnover = Net sales ÷ Total assets
 Financial leverage = Total assets ÷ Equity capital



Factors

- In FY3/25, net income margin declined by 1.1 points year-on-year.
- Decline in operating profit margin (down 2.4 points year-on-year)
Gross profit margin decreased (down 4.7 points year-on-year). This was due to depreciation for factory expansion (up 7.27 billion yen year-on-year), start-up costs, sluggish market conditions for photovoltaic quartz crucibles, and demand adjustments for power semiconductor substrates for automotive use. The SG&A ratio declined (down 2.3 points year-on-year).
 - Increase in non-operating income (up 2.31 billion yen year-on-year), exchange gain (up 320 million yen year-on-year), and subsidy income (up 1.8 billion yen year-on-year)
 - Increase in non-operating expenses (up 2.51 billion yen year-on-year), interest paid (up 980 million yen year-on-year), and loss from equity-method affiliate (up 1.67 billion yen year-on-year; wafers, SiC wafers, etc.)

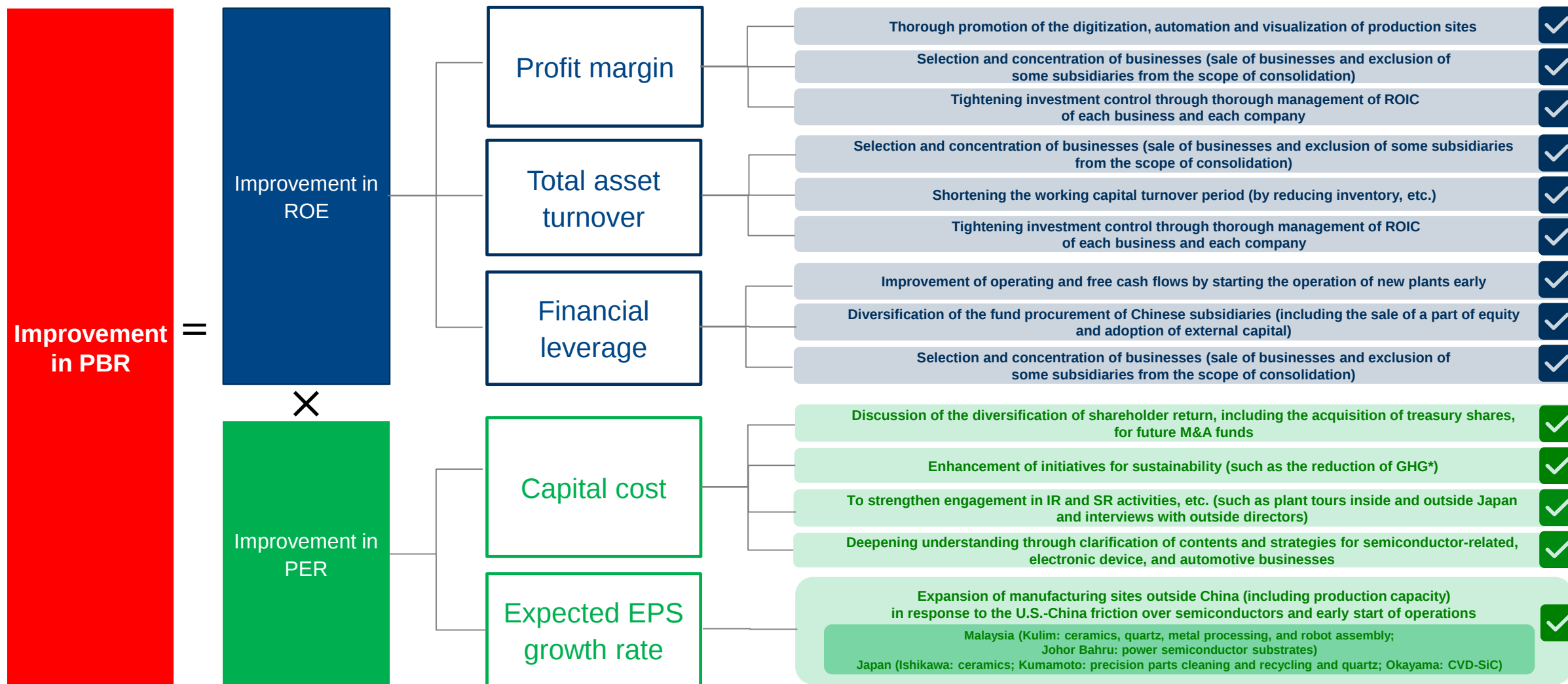
Factors

- In FY3/25, turnover improved by 0.1 points from the previous fiscal year.
- A slight improvement was seen as the increase in total assets (up 90.56 billion yen year-on-year) was relatively smaller than the increase in net sales (up 51.96 billion yen year-on-year).
 - The increase in total assets was primarily due to the increase in accounts receivable and inventory (up 45.84 billion yen year-on-year) and the increase in property, plant and equipment (up 43.73 billion yen year-on-year).

Factors

- In FY3/25, financial leverage remained unchanged from the previous fiscal year.
- The increase in total assets (up 90.56 billion yen year-on-year) was approximately 2.8 times the increase in shareholders' equity (up 32.42 billion yen year-on-year).
 - The primary reason for the increase in total assets is as mentioned above.
 - The primary reasons for the increase in liabilities (up 45.18 billion yen year-on-year) were accounts payable (up 17.4 billion yen year-on-year) and long-term borrowings (up 15.86 billion yen year-on-year).

- By implementing the following measures, we will strive to improve ROE and PER, with the aim of improving PBR.



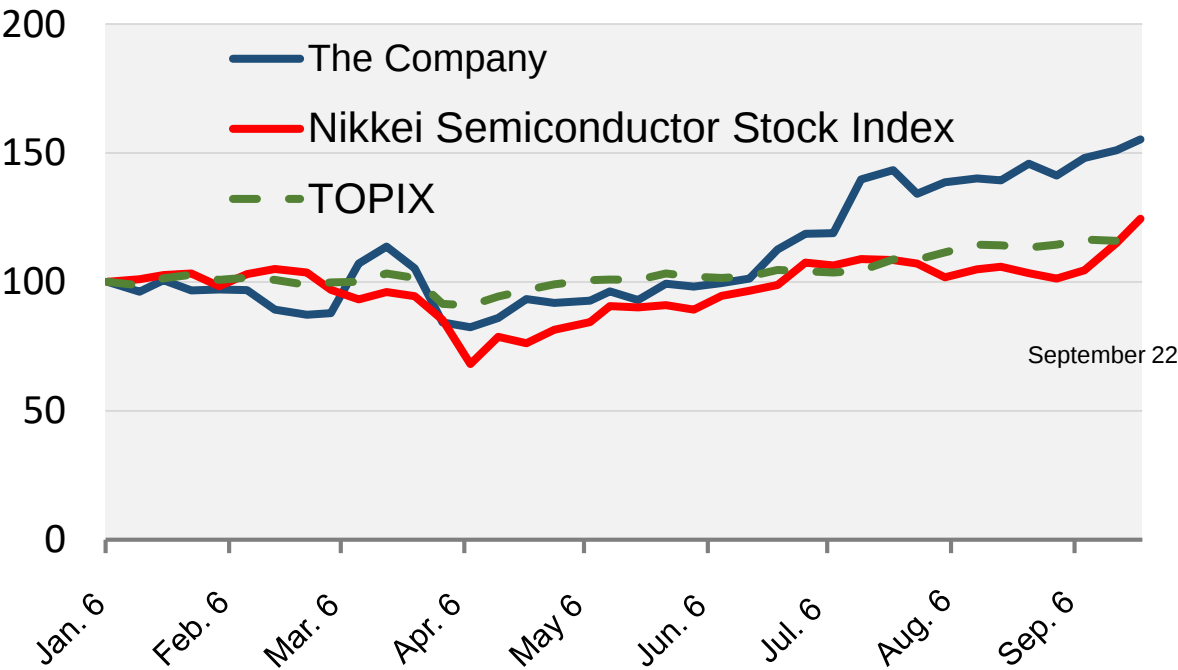
*GHG stands for greenhouse gas, mainly CO₂.

- Our company is continuously implementing initiatives aimed at improving stock price.
- The following specific measures were evaluated by shareholders, and although ROE declined year-on-year in FY3/25, stock price showed an improvement trend in the first half of 2025.

Specific measures to improve stock price

Policy	Specific measures
Improvement in the cost of capital (mitigation of risk premium and beta)	
Significant enhancement of shareholder returns	Implementation of DOE
Reducing dependence on the Chinese market	Start of operations at the Malaysia Factory and the Ishikawa Factory No. 3
Improvement in expected EPS growth rate	
Response to China's policy to manufacture semiconductors domestically	Production plans at factories in China was adjusted to align with increased domestic demand in China.
Supplying products to growing industries	Supplying materials and parts for AI-specific semiconductors and memory, as well as semiconductors for automotive use and electronic devices.

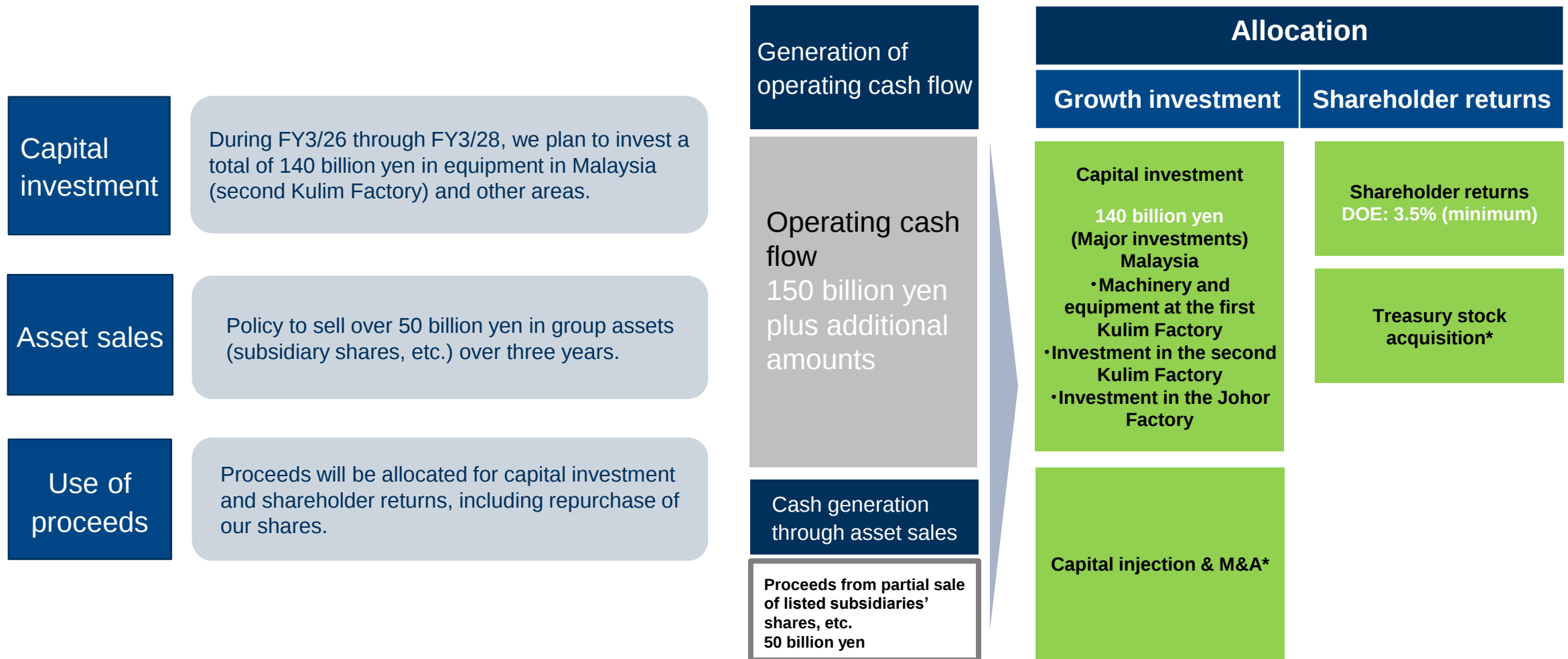
Relative stock price comparison between the Nikkei Semiconductor Stock Index and TOPIX
(Weekly: 2025)



Reference: Nikkei Stock Average Profile

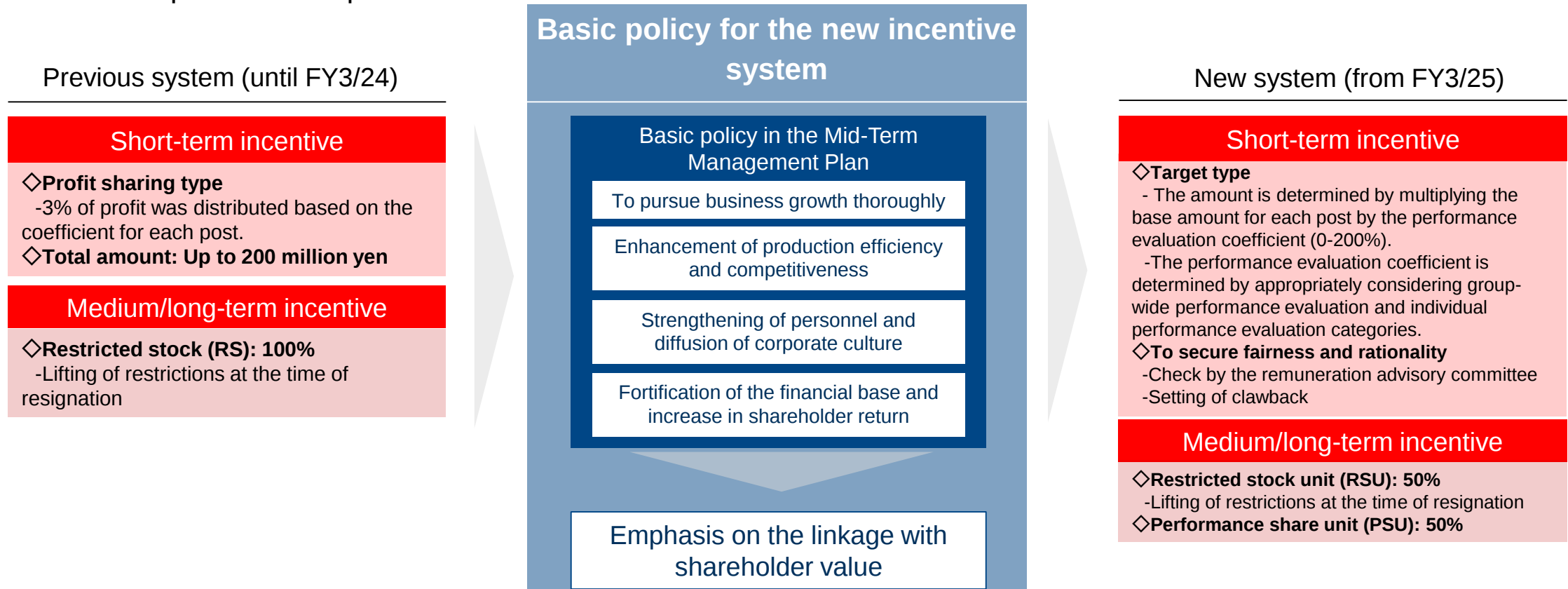
<Details of cash generation through investments and asset sales>

<Assumed cash allocation for FY3/26 to FY3/28>



Capital injection and M&A are executed based on investment opportunities; and the amount varies depending on the details of each case.

- We will enrich the incentives for completing the Mid-Term Management Plan by shifting to a **system of remuneration that strongly depends on performance** for both short-term and medium/long-term incentives, in order to improve our corporate value.



- For the executive remuneration system, we put importance on the linkage with the sustainable improvement in corporate value.
- The ratio among basic remuneration, performance-linked remuneration, and stock-based remuneration is 1 : 0.5 - 1.0 : 0.5 - 1.0 according to posts.

Remuneration Table

Case of CEO	Basic remuneration	Performance-linked remuneration	Stock-based remuneration	
	Monthly remuneration	Short-term incentive	Medium/long-term incentive	
		Bonus	Performance share unit (PSU)	Restricted stock unit (RSU)
Composition ratio (standard)	1.0	1.0	1.0	
Evaluation indicator (KPI)	-	Net sales, operating profit margin, profit, and ROE	Comparison of total shareholder return and Nikkei semiconductor stock index growth (3-year period) (Changed from comparison with TOPIX)	3-year term
Evaluation coefficient	-	0% - 200%	0% - 200%	-
Payment method	Cash	Cash	Stock units are granted based on job position. After three years, one unit will be converted into one share (for PSUs, the number of shares will be multiplied by an evaluation coefficient). Of the total, 50% will be granted in shares and 50% in cash to cover tax and other related expenses.	
Malus and clawback*	-	Subjects		

Note:

The malus clause stipulates that stock-based compensation not yet granted may be reduced or cancelled in the event of misconduct.

The clawback clause provides for the compulsory return of compensation that has already been granted.

Data of briefing sessions for institutional investors (previous fiscal year)

Item	Briefing session	Conference	Interviews for IR (including small ones)
Number of times	2	2	181
Number of companies we contacted	123	17	252
Domestic : Overseas	98 : 25	0 : 17	97 : 155
Sell side : Buy side	65 : 58	0 : 17	34 : 218

Details of briefing sessions for institutional investors (previous fiscal year)

Timing	Name		Description	Major presenters
Results briefing sessions				
May	Briefing session for financial results	*Recorded	Full-year performance, business strategy, and progress of the Mid-Term Management Plan	CEO and directors in charge of finance/accounting and planning
June	Q&A event for financial results	*Website	QA session with institutional investors and analysts regarding financial results	CEO and directors in charge of finance/accounting and planning
November	Briefing session for financial results in Q2	*Recorded	Progress updates on interim performance, business strategies, and the Medium-Term Management Plan	CEO and directors in charge of finance/accounting and planning
December	Q&A event for financial results in Q2	*Website	Q&A session on interim results with institutional investors and analysts	CEO and directors in charge of finance/accounting and planning
IR events, such as business strategy briefing sessions				
June	Small sell-side meeting		Future business strategy	IR/Publicity Department
June	General meeting of shareholders		Future business strategy	CEO
September	Kumamoto Plant Tour (Construction Site)		Introduction of our company	IR/Publicity Department
November	Sell-side conference (Tokyo)		Future business strategy	CEO and IR/Publicity Department
March	Sell-side conference (Tokyo)		Introduction of our company/Future business strategy	IR/Publicity Department
May	Small sell-side meeting		Introduction of our company/Future business strategy	IR/Publicity Department

Theme of dialogue with shareholders and investors (previous fiscal year)

Examples of discussion topic with shareholders and investors	Status of the Company's initiatives
Response to the friction between U.S. and China over semiconductors Particularly customer requests for manufacturing outside China and the status of manufacturing base development and operations	- Our company has made decisions to establish mass production bases in Malaysia and Japan while excluding China after 2022 and been advancing the plan. - Exchange of opinions on the future production ratio: Assumed ratio of 6 (China) : 4 (outside China) - Malaysia: Start of operations at the semiconductor equipment-related factory in northern region (Kulim) (January 2024) Promotion of construction of a power semiconductor substate factory in southern region (Johor Bahru) - Japan: Promotion of construction of Ishikawa Factory No. 3 (ceramics) and Kumamoto Factory (parts cleaning)
Impact of the so-called “Trump tariffs” on business performance	- Semiconductor manufacturing equipment is installed mainly in China and other Asian countries; and only a small percentage of our company's products are destined for the U.S. - The value of shipments to markets in North America accounts for about 4% of sales, and our company believes the impact on its performance is limited.
Related to subsidiaries listed (or scheduled to be listed) in China	- Exchange of views on the context behind the withdrawal of IPO applications (CCMC: wafers, FTNC: silicon parts + quartz crucibles) - Ongoing applications of a merger of subsidiary listed in China (FTSVA: parts cleaning) and IPO-expected subsidiary (FLH: power semiconductor substrates) - Discussion regarding the lock-up release and sale of shares in the subsidiary listed in China (FTSVA: parts cleaning) Expectations for return of funds to the Group, remittances to Japan, and shareholder returns (dividends, share buybacks)
Financial strategy and management	- Exchange of opinions regarding trends in capital investment and the forecasts for future free cash flow - Exchange of opinions regarding dividends and share buybacks

Securities analyst evaluation

- With improved investment evaluations and significant upward revisions of target stock prices by analysts, stock price has risen.

	Evaluation	Target stock price	Summary of comments
Major U.S. securities analysts	EW (Hold) → OW (Buy more)	2,600 yen → 5,000 yen	Anticipate an upward revision in valuation through business expansion, introduction of DOE, sale of group assets, and enhanced shareholder returns
Japanese major securities analyst (new position)	1 (Buy: recommended for purchase)	4,900 yen	The company is capitalizing on the trend of moving away from China by expanding its factories in Southeast Asia, and the supply chain restructuring by manufacturing equipment makers is providing a favorable situation. Furthermore, it will present a good opportunity for business expansion as it also targets demand from local manufacturers in China.

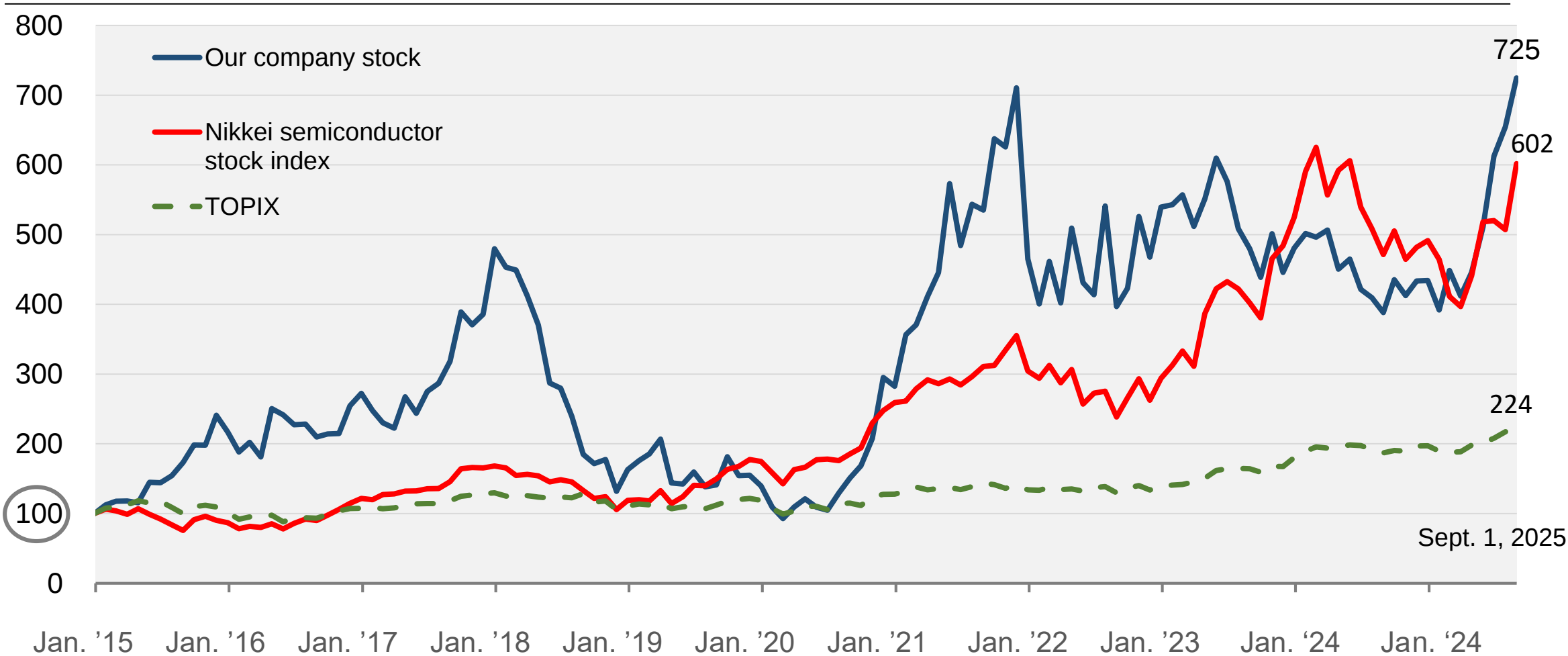
[Unit: million yen]		Indicator	Results in FY3/25	Forecast for FY3/26	Plan for FY3/27	Plan for FY3/27
Performance	Net sales		274,390	285,000	340,000	400,000
	Operating profit		24,089	28,000	35,000	47,000
	Operating profit margin		8.8%	9.8%	10.3%	11.8%
	Profit		15,692	16,000	20,000	29,000
Capital efficiency	ROE		7.1%			15%
	ROIC		3.9%			8%
Financial standing	Capital-to-asset ratio		39.4%	 40% 		
	Capital investment		51,776	65,000	45,000	30,000
Shareholder return	Dividend per share		141 yen	148 yen	We have adopted DOE (Dividend on Equity) as a key indicator, setting the lower limit at 3.5%. We will also consider share buybacks in a timely and flexible manner, aiming for a total shareholder return ratio of 50%.	

Appendix II: Variation in share price relative to TOPIX & Nikkei semiconductor stock index

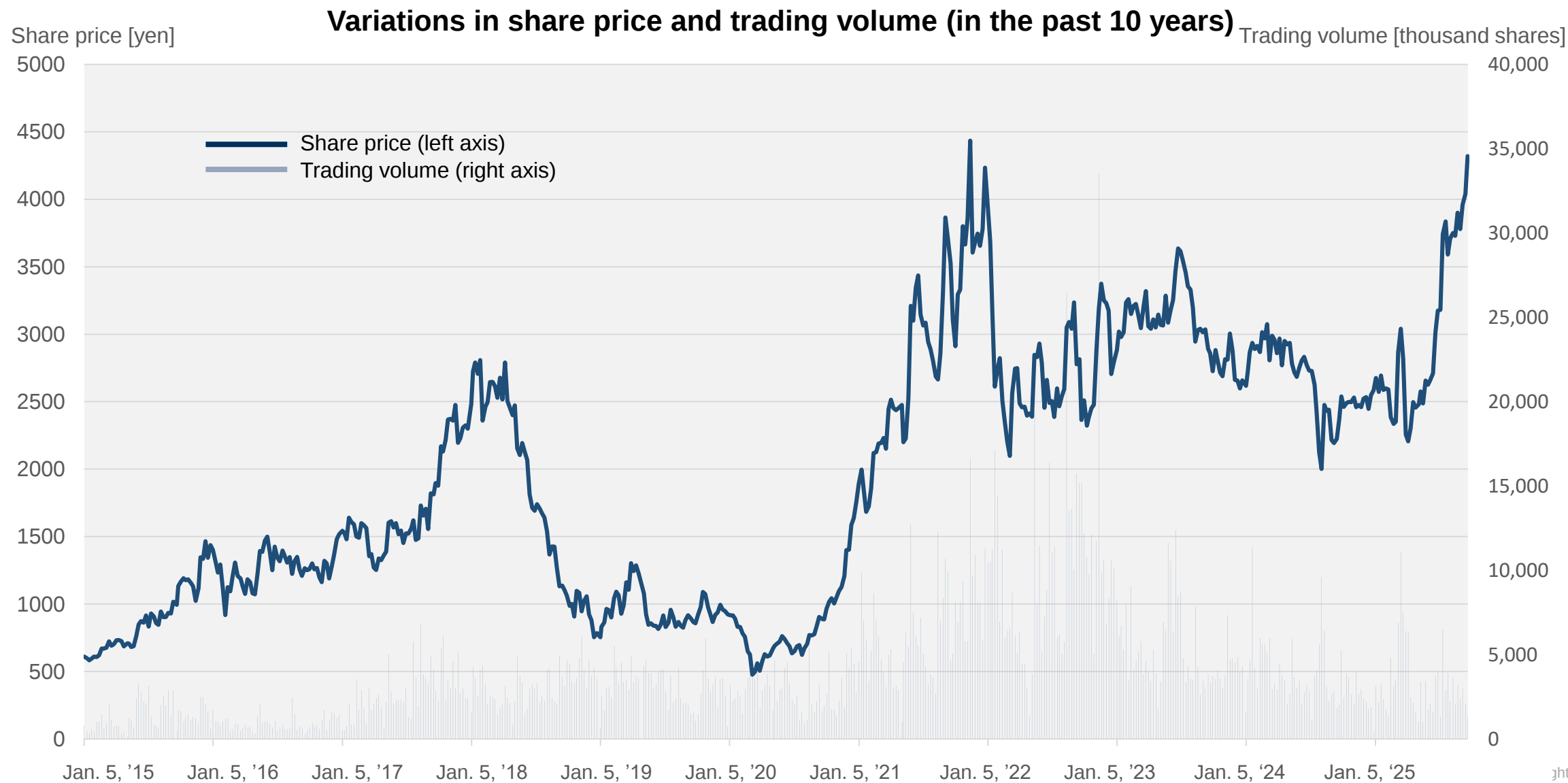
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Over the past 10 years, our company's stock price has increased approximately 7.3 times while the Nikkei Semiconductor Stock Index has risen approximately 6.0 times and TOPIX has grown approximately 2.2 times.

Variation in relative stock price compared with the Nikkei Semiconductor Stock Index and TOPIX (monthly, latest 10 periods from January 5, 2015 to September 1, 2025, with the closing price on January 5, 2015 set at 100)

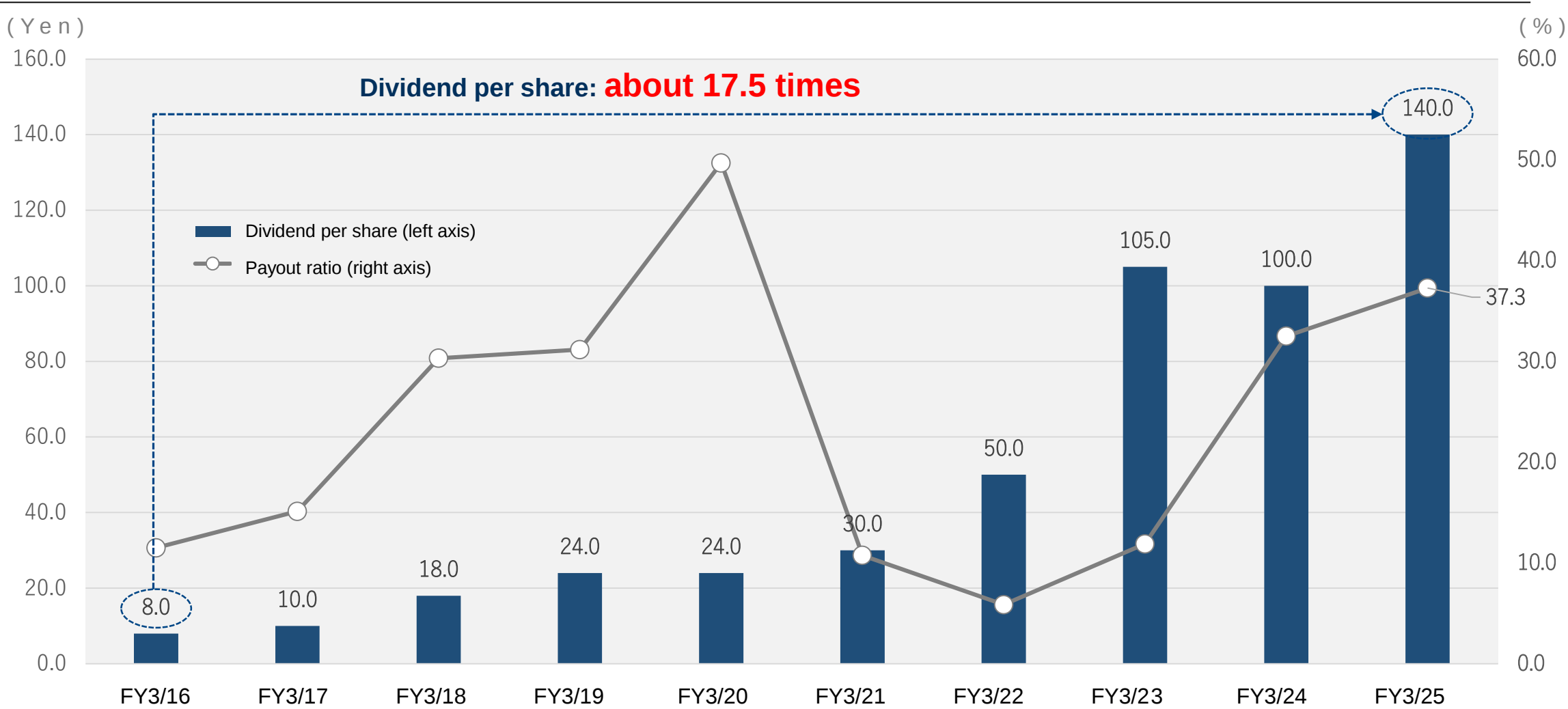


Variations in share price and trading volume (weekly; the past 10 fiscal years; January 5, 2015 to September 1, 2025)



- Over the past 10 years, dividend per share rose about 17.5 times, and the payout ratio in FY3/25 exceeds 35%.

Variations in dividend and payout ratio (in the past 10 fiscal years)



Environment: GHG emissions (measures against climate change)

	FY3/24	FY3/25	Remarks
Amount of GHG emissions from Group companies [t-CO ₂ e*]	1,401,734 tons	1,567,654 tons	The primary cause of the increase in the emissions is attributed to the expansion of factories and the commencement of operations at new factories, which led to increased consumption of fuel and electricity, as well as increased purchases of materials and other supplies.
Scope 1 emissions (fuel used by our company: petroleum-related products, etc.)	13,999 tons	19,581 tons	
Scope 2 (Energy procured from external sources: electricity)	293,217 tons	334,497 tons	
Scope 3 (CO ₂ generated through the supply chain)	1,094,518 tons	1,213,576 tons	Categories 1 to 7, 11, 12, and 15 were measured.
(For reference) CDP evaluation and rating	C	Submitted	Announcement of ratings in early February of the following year



While taking into account the situation of rapid business growth, our company will set appropriate GHG reduction targets.

*GHG stands for Greenhouse Gas, referring to primarily CO₂. t-CO₂e stands for “Carbon Dioxide Equivalent,” a globally recognized standard metric for comparing greenhouse gas emissions.

CDP is a non-governmental organization (NGO) managed by a UK-based charity that operates a global information disclosure system enabling investors, companies, nations, local communities, and cities to manage their environmental impact.

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