

January 9, 2026

**Notice of the Supplementary Material on Euro-Yen Denominated Convertible Bonds with Stock Acquisition Rights Due in 2028**

We have disclosed the supplementary material on euro-yen denominated convertible bonds with stock acquisition rights due in 2028 issued on June 23, 2023 (issue price: 25 billion yen) in order to answer questions and meet demand from our investors. This material is intended to deepen their understanding of the convertible bonds.

# Supplementary Material on the Issuance of Convertible Bonds with Stock Acquisition Rights (CBs)

\*This material was prepared as a supplementary explanation about soft call provisions and conversion price adjustment provisions (dividend protection) for euro-yen denominated convertible bonds with stock acquisition rights due in 2028 that were issued on June 23, 2023.

January 9, 2026  
Ferrotec Corporation

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# Outline of the Issuance of the CBs

Type of the CBs	Euro-yen denominated convertible bonds with stock acquisition rights
Markets	Overseas markets mainly in Europe and Asia, excluding the U.S.
Amount of issuance	25 billion yen
Offer price / Issue price	102.50 yen / 100.00 yen
Maturity	5 years
Interest rate (coupon)	0%
Additional terms	① 130% soft call after 3 years ② Put after 3 years
Other conditions	① Conversion price adjustment (dividend protection) ② Cross default
Standard share price / Initial conversion price (increase rate)	3,165 yen (closing price on June 7, 2023) / 4,020 yen (increase rate: 27.01%)
Payment date / Maturity date	June 23, 2023 / June 23, 2028
Use of proceeds	① For capital investment in factory construction and manufacturing equipment for our subsidiary in Malaysia ② For the investment in the construction of the Ishikawa Factory No. 3 and its equipment ③ For the investment in the construction of a parts cleaning factory in Kumamoto ④ For the investment in the construction of the head office and a factory of Toyo Knife and its equipment ⑤ For the redemption of corporate bonds and repayment of long-term borrowings

## Purposes of the issuance

- ✓ By issuing zero-coupon bonds, the Company aim to minimize interest costs and improve our financial account balance.
- ✓ By setting a conversion price above the market value at the time of issuance, the Company curb the dilution of earnings per share as much as possible for in the near term, for the benefit of existing shareholders.
- ✓ As the terms for the CBs include a 130% call option provision, if share price is over a certain percentage above the conversion price for a certain period, our company can choose to redeem the bonds ahead of schedule at the face value. This provision will promote the conversion of the CBs to shares, increasing equity capital.

## Purposes of the use of funds



Kulim Factory No. 1  
in Malaysia



Ishikawa Factory No. 3



Head office and a  
factory of Toyo Knife



Parts cleaning factory  
in Kumamoto

# Structure of the CBs

✓ The CBs were structured to curb the dilution of earnings per share as much as possible in the near term by setting a conversion price above the market value at the time of issuance, and to expect future equity capital enhancement (promote conversion) by adding a soft call provision.

			Major types of Japanese CBs								
			Conversion restricted type			Plain type		Flexible type	Conversion-promoting type		
			①	②	③	④	⑤	⑥	⑦	⑧	⑨
Major additional items	Provision for acquisition through cash settlement	Interim automatic exercise type (without an issuing entity option)	✓								
		Issuing entity option exercise type	✓	✓							
	Conversion restriction provision		✓	✓	✓						
	Soft call provision								✓	✓	✓
	Increase rate set to be low									✓	
	Soft mandatory provision							✓			
	Put provision*1						✓				✓
Other conditions	Conversion price adjustment provision										✓

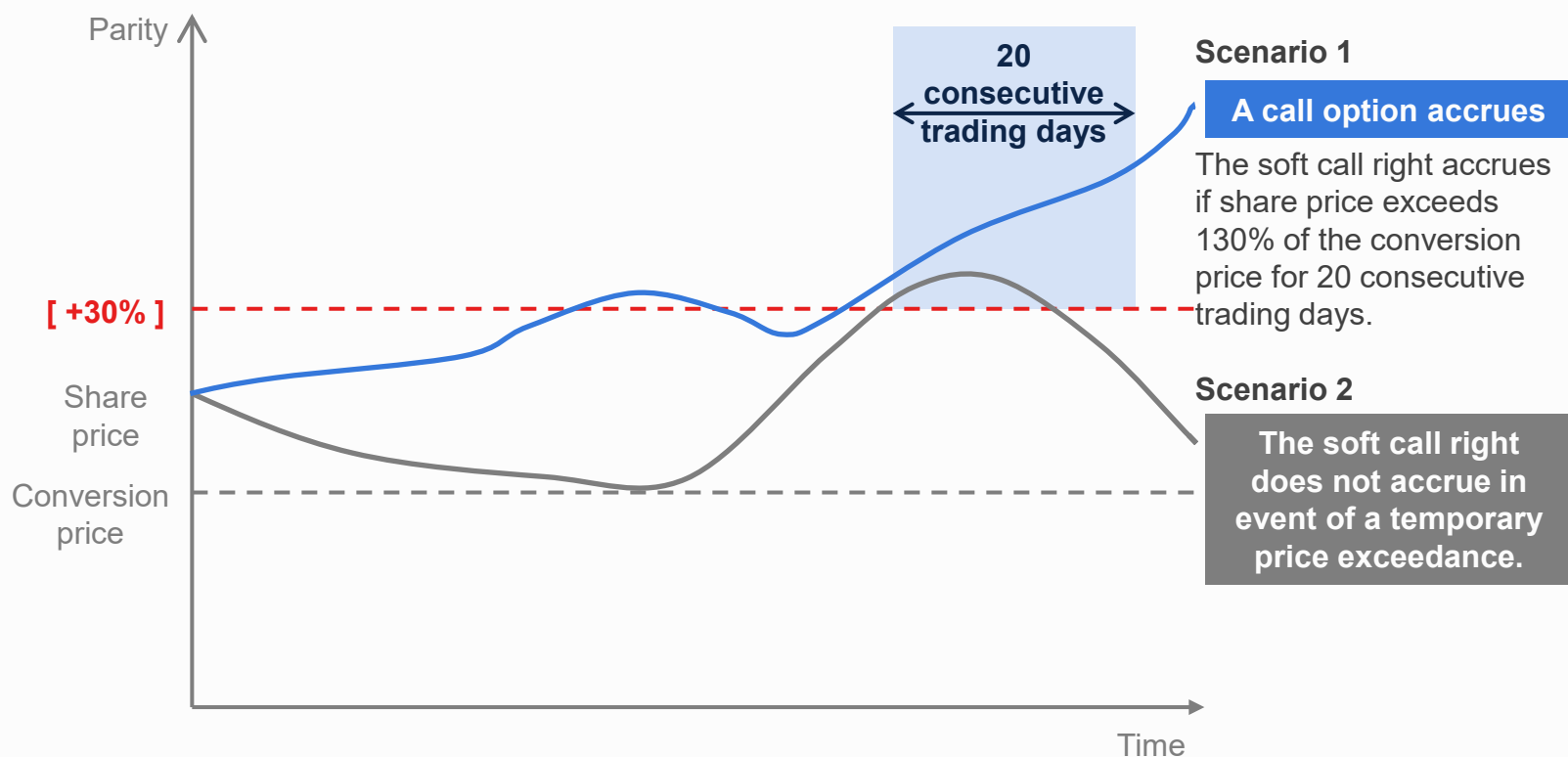
\*1 Put provision: The put provision added to the CBs means the right of bondholders to request our company to redeem the CBs before maturity on June 19, 2026. In general, it is often exercised when share price falls below the conversion price significantly.

Type adopted for the CBs

# Additional items: Overview of Soft Call Option

- ✓ An option that allows the issuing company to redeem CBs prior to maturity if share price remains at or above 130% of the conversion price for a certain period
- ✓ If the soft call option is exercised, CB holders incentivized to convert in order to avoid losing parity high\*1, thereby promoting conversion.
- ✓ On the other hand, the conversion would result in share dilution and in increase in total dividend payment.

Schematic diagram of the soft call option (for each scenario)



## Requirements for issuance (excerpt)

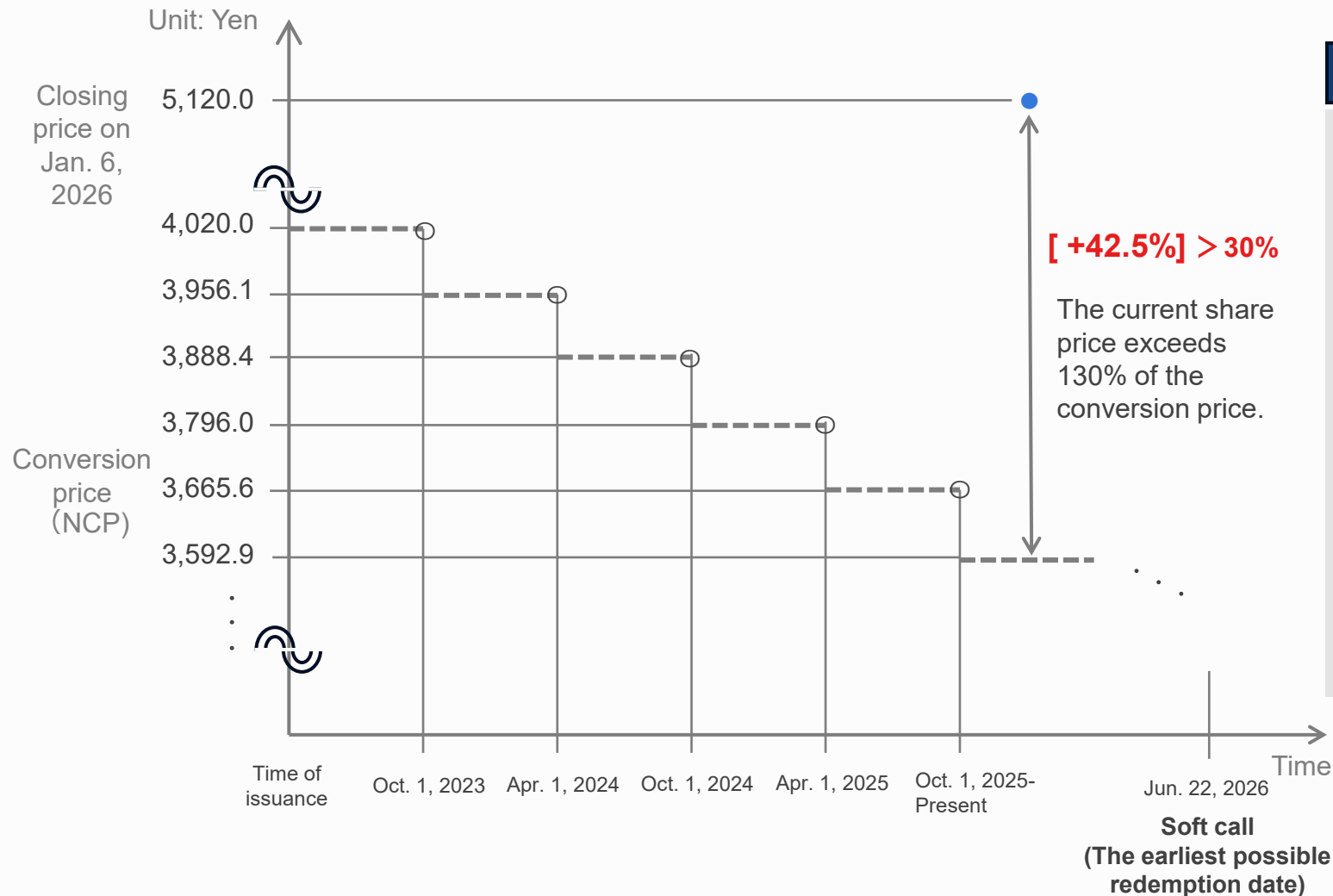
“If the closing price<sup>\*2</sup> of the Company’s common shares remains at or above 130% of the effective conversion price on each of 20 consecutive trading days<sup>\*2</sup>, the Company may, at its option, redeem all (but not part) of the outstanding CBs at 100% of their face value on a designated redemption date on or after June 22, 2026, by notifying the CB holders within 30 days from the last day of such 20 consecutive trading days and not less than 30 days nor more than 60 days prior to the redemption date”

<sup>\*2</sup> The “closing price” of the Company’s common share on any date means the closing price of such common shares in regular trading on the Tokyo Stock Exchange on that date. A “trading day” means a day on which the Tokyo Stock Exchange is open, excluding any day on which no closing price is announced.

\*1 The parity of CBs means the theoretical price representing the value of convertible bonds (CBs) at the time of conversion. This is calculated by dividing share price by the conversion price and indicated as the amount with respect to the par value 100 yen.

# Other conditions: Conversion Price Adjustment Provisions (dividend protection)

- ✓ The CBs include a conversion price adjustment provision, and the conversion price is adjusted in accordance with the formula below in the event of dividends.
- ✓ As dividends are paid, the adjusted conversion price decreases, thereby increasing the likelihood of a soft call, depending on the share price level.



## Conversion price adjustment formula

**Revised conversion price (NCP)**  

$$= \text{OCP} \times (\text{CMP-fmv}) / \text{CMP}$$

\*OCP: Conversion price before revision

\*CMP: Market value on the record date for shareholders\*<sup>1</sup>

\*fmv: Dividend per share in the last period

\*<sup>1</sup> Average of closing prices on 30 successive trading days starting 45 trading days before the record date

<For reference>

Results and forecast of dividends per share since the issue date

FY3/24: 50 yen for 1H / 50 yen for 2H

FY3/25: 55 yen for 1H / 86 yen for 2H

FY3/26: 74 yen for 1H / 74 yen for 2H (forecast)

# Appendix 1: Dilution from Conversion and Impact on Equity Capital

## <Preconditions>

- a. Total conversion price : 25 billion yen
- b. Number of outstanding shares : 47,117,949 (as of Nov. 14, 2025)
- c. Revised conversion price : It is assumed that the conversion price will be revised downwardly by 70 yen (The revised conversion price in ① is the current conversion price.)
- d. Conversion period : The conversion price is adjusted every six months for dividend.
- e. Number of shares issuable upon conversion : Number of shares issuable upon conversion at the revised conversion price in each conversion period
- f. Potential dilution rate : Number of shares issuable upon conversion (e) ÷ (Number of outstanding shares (b) + Number of shares issuable upon conversion (e))
- g., h. Account title and amount : Consolidated equity capital and its breakdown as of Sep. 30, 2025
- i. Amount increase by conversion : Capital stock and capital surplus are each credited at a ratio of one-half.

## 1. Impact of dilution

d. Period	c. Revised conversion price	e. Number of shares issuable upon conversion (a/c)	f. Dilution rate (e/(b+e))
① From Oct. 1, 2025	3,592.9 yen	6,958,167	<b>12.9%</b>
② From Apr. 1, 2026	3,522.9 yen	7,096,426	<b>13.1%</b>
③ From Oct. 1, 2026	3,452.9 yen	7,240,290	<b>13.3%</b>
④ From Apr. 1, 2027	3,382.9 yen	7,390,109	<b>13.6%</b>
⑤ From Oct. 1, 2027	3,312.9 yen	7,546,258	<b>13.8%</b>

## 2. Impact on equity capital

g. Account title	h. Amount (Sep. 30, 2025)	i. Amount increase by conversion (Δ)	j. After conversion
Capital stock	29,549 million yen	+12,500 million yen	42,049 million yen
Capital reserve	69,480 million yen	+12,500 million yen	81,980 million yen
Retained earnings	92,717 million yen	-	92,717 million yen
Other comprehensive income	30,536 million yen	-	30,536 million yen
<b>Equity capital</b>	<b>221,731 million yen</b>	<b>+25,000 million yen</b>	<b>246,731 million yen</b>
Total assets	599,563 million yen	-	599,563 million yen
<b>Equity ratio</b>	<b>37.0%</b>	<b>+4.15 points</b>	<b>41.15%</b>

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This document is not intended for soliciting for investment, but for announcing the issuance of the convertible bonds with stock acquisition rights of our company.

These convertible bonds are not available in Japan.

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