

**Notice of the Revision of Directors' Remuneration
and Partial Revision of the Executive Remuneration System**

Ferrotec Corporation (Representative Director: He Xian Han; hereinafter "the Company") announces that, at the meeting of the Board of Directors held today, the Company resolved to submit proposals regarding the revision of directors' remuneration and the revision of the Executive Remuneration System at the 46th Ordinary General Meeting of Shareholders to be held on June 26, 2026. Details are as follows.

1. Overview of the revision of directors' remuneration

Directors' remuneration of the Company is a maximum of 500 million yen annually (or a maximum of 20 million yen annually for outside directors; provided, however, that wages paid in accordance with the position as an employee for directors who concurrently serve as an employee are not included) as approved at the 27th Ordinary General Meeting of Shareholders held on June 26, 2007.

Apart from this, at the 44th Ordinary General Meeting of Shareholders held on June 27, 2024, shareholders approved a post-vesting stock-based compensation plan for the directors (excluding outside directors) of the Company (this plan was newly introduced in place of the conventional restricted stock unit plan approved at the 39th Ordinary General Meeting of Shareholders held on June 27, 2019, and revised at the 42nd Ordinary General Meeting of Shareholders held on June 29, 2022). Based on this plan, the total amount of monetary remuneration claims and cash to be paid to the Company's directors (excluding outside directors) is up to 470,000 shares per fiscal year multiplied by the share price at the time of issuance, and the total number of the Company's common shares to be granted or disposed of is up to 235,000 shares per fiscal year.

Around the time when the current amount of monetary remuneration for directors was approved, the consolidated net sales in the 27th term (fiscal year ended March 2007) were 32,517 million yen, and the consolidated net sales in the 28th term (fiscal year ended March 2008) were 36,625 million yen. However, the consolidated net sales in the 46th term (fiscal year ended March 2026) were 288,933 million yen, indicating that the scale of the Group's business has expanded significantly. In addition, the business environment surrounding the semiconductor industry in Japan and overseas is rapidly changing and becoming increasingly uncertain. In order for the Company to sustainably increase its corporate value, it is essential to appoint directors from both Japan and overseas who possess global experience and advanced expertise in the Company's business segments and enable prompt and accurate decision-making in the face of increasingly complex management challenges.

In light of these circumstances, based on deliberations and recommendations from the Remuneration Advisory Committee—primarily consisting of independent outside directors—while considering global/objective remuneration market data provided by external specialized organizations, the Company has revised the remuneration system with the following purposes: (i) expand the Group's social roles and responsibilities; (ii) align with the remuneration levels in the global management talent market and secure the competitiveness for acquiring talent; (iii) promote value sharing with shareholders through an enhanced performance-linked remuneration plan; and (iv) improve the flexibility of the remuneration system design. Based on these objectives, the Company has decided to revise the annual monetary remuneration limit for directors, which was approved at the 27th Ordinary General Meeting of Shareholders held on June 26, 2007, to an annual amount of 1,000 million yen. (Out of which, annual remuneration for outside directors is up to 50 million yen. In all instances, this amount excludes the salary as an employee for directors who concurrently serve as an employee.)

2. Overview of the partial revisions to the Executive Remuneration System

In conjunction with the revision of the monetary remuneration outlined above, the Company will also revise the composition ratio of remuneration (remuneration mix) for the Company's directors. This revision is intended to further strengthen the link between business performance and shareholder value, functioning as an incentive to enhance corporate value over the medium to long term. Specifically, based on the recommendations of the Remuneration Advisory Committee—primarily consisting of independent outside directors—the Company will reduce the proportion of basic remuneration, which is fixed remuneration. Concurrently, the Company will increase the proportion of short-term performance-linked remuneration and stock-based remuneration (RSUs and PSUs under the post-vesting stock-based compensation plan) as a medium- to long-term incentive.

The Company will particularly increase the proportion of stock-based remuneration that contributes to value sharing with

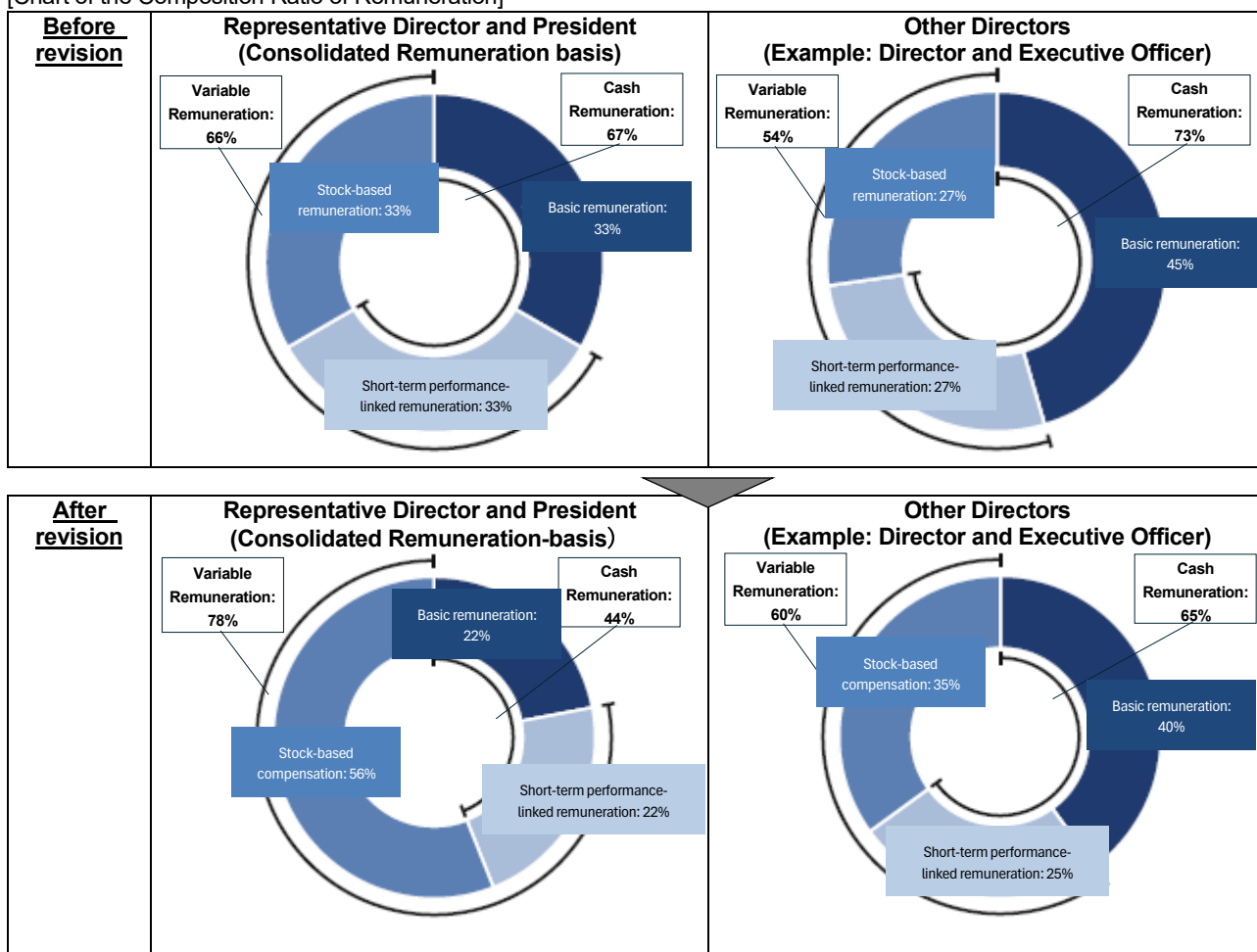
shareholders.

This revision will significantly increase the proportion of variable remuneration within the remuneration composition of the Company’s directors (excluding outside directors). In particular, the increase in the proportion of stock-based remuneration is believed to further motivate directors to improve corporate value in the medium to long term and promote value sharing with shareholders.

Furthermore, monetary remuneration consists of fixed remuneration and a performance-linked bonus (not paid to outside directors). Regarding performance-linked bonuses, the range will vary from 0% to 200% of the annual fixed remuneration (basic remuneration) depending on performance. This range is aimed at reducing the Company’s financial burden while aligning the bonus with shareholder interests during weaker performance and fairly rewarding directors for strong contributions. For details on the specific calculation methods, please refer to the “Reference” section below.

The following “Chart of the Composition Ratio of Remuneration” offers an overview of the remuneration composition ratio (benchmark) for the representative director and president, as well as internal directors (excluding the representative director), both before and after the revision.

[Chart of the Composition Ratio of Remuneration]



[Reference]

1. Remuneration composition & levels

The remuneration for directors who also serve as executive officers (hereinafter referred to as “directors concurrently serving as executive officers”) consists of a basic remuneration (fixed remuneration) determined based on rank and other factors, along with short-term performance-linked remuneration and medium- to long-term performance-linked remuneration (hereinafter referred to as “stock-based compensation”). The ratio of “basic remuneration: short-term performance-linked remuneration: stock-based compensation” is generally set at approximately “2:2:5” (22%, 22%, and 56%, respectively) for the standard amount of the Representative Director and President (on a consolidated remuneration basis); for directors concurrently serving as executive officers, the ratio is determined based on the scope of their responsibilities and other factors. Furthermore, there is no retirement benefit system for executive officers. Additionally, outside directors and audit and supervisory board members will receive only basic remuneration (fixed remuneration) in consideration of their roles and responsibilities.

In determining the remuneration composition and levels, the Company has utilized objective remuneration market research data provided by external specialized organizations (such as Willis Towers Watson plc (WTW)’s “Executive Compensation Survey”) and taken into account the results of comparisons with market levels.

Reference Table 1: Types of Remuneration and Eligible Recipients

Types of Remuneration			Eligible Recipients		
Fixed/Variable	Cash/Stock	Components	Director concurrently serving as executive officer	Outside Director	Auditor
Fixed	Cash remuneration	Basic remuneration	○	○	○
Variable		Short-term performance-linked remuneration	○	-	-
	Stock-based compensation*	Medium- to long-term performance-linked remuneration (Stock-based compensation)	○	-	-

*However, approximately 50% of the number of shares granted will be paid in cash for the purpose of paying taxes.

2. Incentive remuneration

Incentive remuneration will be provided in accordance with the performance indicators outlined in the Medium-Term Management Plan, which has a fundamental policy of relentlessly pursuing growth, to strongly encourage the fulfillment of duties in line with the management philosophy and strategy under a remuneration plan linked to performance results and corporate value. The details are as follows:

(a) Short-term performance-linked remuneration

A predetermined base amount for each position is multiplied by a performance evaluation coefficient (ranging from 0% to 200%) to determine the amount given to each individual. The performance evaluation coefficient is determined by setting the proper weight for evaluation categories, such as company-wide and individual performance evaluation. The company-wide performance evaluation indicators will be based on: (1) net sales, (2) operating profit margin, (3) profit, and (4) ROE, with equal weight given to each. Regarding individual performance evaluations, the Remuneration Advisory Committee is responsible for confirming the fairness and reasonableness of each individual’s goals and evaluations.

Furthermore, in the event of fraudulent acts, the recipient’s entitlement to remuneration may be revoked, and a claim for the return of remuneration (clawback) may be made, depending on when the act occurred and when it was discovered. The

termination of such entitlement or the repayment of remuneration shall be deliberated by the Remuneration Advisory Committee and decided by the Board of Directors.

Reference Table 2: Company-wide Performance Evaluation Indicators for Short-Term Performance-Linked Remuneration

	Company-wide Performance Evaluation Indicators	Evaluation Weight	Reason for Selection
1	Net sales	25%	To incorporate the performance indicators prioritized in the Company's business operations into the remuneration evaluation
2	Operating profit margin	25%	
3	Profit	25%	
4	ROE	25%	

(b) Medium- to Long-Term Performance-Linked Remuneration (Stock-Based Compensation)

The new stock-based compensation plan consists of the following two types:

Restricted Stock Unit: RSU	The number of shares in the Company and the amount of money determined in advance will be granted after a certain period of time prescribed in advance by the Company's Board of Directors (hereinafter "the Prescribed Period") under the condition that the directors continue to work at the Company for the Prescribed Period and satisfy other relevant conditions.
Performance Share Unit: PSU	The number of shares in the Company and the amount of money calculated according to the rate of progress with the performance evaluation indicator specified in advance by the Company's Board of Directors will be granted after the Prescribed Period.

- RSU

Shares will be granted in accordance with the standard number of shares determined based on the predetermined base amount by each position, and eligibility for shares will be fixed based on length of service and other variables. The initial subject period is to be three years. Approximately 50% of the number of shares granted will be paid in cash for the purpose of paying taxes.

- PSU

The number of shares to be granted is determined by multiplying the standard number of shares, which is determined based on the predetermined base amount by each position, by an evaluation coefficient (ranging from 0% to 200%). Performance evaluation indicators for PSU will be assessed by comparing them to the Total Shareholder Return (TSR) of the Nikkei Semiconductor Stock Index constituent companies. The number of shares to be granted will be determined based on the achievement levels over the three-year Prescribed Period. Approximately 50% of the number of shares granted will be paid in cash for the purpose of paying taxes.