

**Revision to the Amount of Transfer-restricted Share-based Remuneration for Directors**

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter “the Company”) announces that, at the meeting of Board of Directors held today, we resolved to submit a proposal to revise the amount of the transfer-restricted share-based remuneration for the directors at the 42<sup>nd</sup> Ordinary General Meeting of Shareholders to be held on June 29, 2022 (hereinafter the “Shareholders Meeting”). Details are as follows.

**1. Purpose and conditions of the revision**

**(1) Purpose of the revision**

The Company provides remuneration to the Company’s directors (excluding outside directors; hereinafter the “Subject Directors”), which is comprised of performance-linked remuneration and transfer-restricted shares provided as non-monetary remuneration, in addition to the compensation with fixed amount (annual amount of up to 500 million yen approved at the Company’s 27<sup>th</sup> Ordinary General Meeting of Shareholders held on June 26, 2007 (up to 20 million yen for outside directors,) which, however, does not include the salaries for employees if directors concurrently serve as employees).

The Company implemented the transfer-restricted share-based remuneration plan (hereinafter the “Plan”) in order for the Subject Directors to share merits and risks of the share price fluctuation with shareholders and to further boost the motivation for contributing to the improvement of the share price, as well as the enhancement of the Company’s corporate value. However, we would like to revise the upper limit of the amount of transfer-restricted share-based remuneration, comprehensively taking into account the recent level of share price of the Company as well as the “Mid-Term Management Plan” revised and published on May 30, 2022.

**(2) Conditions for the revision to the Plan**

The Plan intends to provide monetary remuneration claims to the Subject Directors as remuneration in order to allocate transfer-restricted shares, and thus, this revision requires an approval from shareholders at the Shareholders Meeting to provide such remuneration.

The Plan received an approval at the Company’s 39<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2019, to set the upper limit of the transfer-restricted share-based remuneration for the Subject Directors at “up to 200 million yen per fiscal year, with up to 200,000 shares per fiscal year for the total number of the Company’s transfer-restricted shares issued to the Subject Directors.” However, at the Shareholders Meeting, the Company plans to request shareholders to approve the change of the upper limit of transfer-restricted share-based remuneration to up to 1,000 million yen per fiscal year. Please note that the total number of transfer-restricted shares of the Company issued to the Subject Directors remains the same, at up to 200,000 shares per fiscal year.

The Company’s current policy on determining the details of remuneration for individual directors is as described in the attachment. If this proposal is approved at the Shareholders Meeting, this policy will also be revised accordingly.

The Company currently has 9 directors (including 3 outside directors), and if the third proposal “Election of 9 Directors” is resolved as proposed at the Shareholders Meeting, the Company will continue to have 9 directors (including 3 outside directors), of which 6 directors will be the Subject Directors.

This proposal was discussed at the Compensation Committee and resolved at the Board of Directors meeting, comprehensively taking into consideration the policy on determining the details of remuneration for the directors, as well as the recent level of share price of the Company, which was determined to be appropriate.

[Attachment]

<Policy on Determining the Details of Remuneration for Individual Directors> (Current)

The Company resolved on the policy for determining the details of remuneration for individual directors at the Board of Directors meeting held on March 22, 2021.

Further, the Board of Directors confirmed that the decision-making method and the remuneration amount for individual directors for the relevant fiscal year are consistent with such determination policy, and that the reports from the Compensation Committee were respected, and thus the remuneration is deemed as appropriate in accordance with the policy.

The details of the policy for determining the details of remuneration for individual directors are as follows:

i) Basic Policy

The Company follows its basic policy to design its remuneration plan for the directors that enhances incentives for them to improve the short-, medium- and long-term performance in light of their mission to continuously improve the corporate value through their business activities. Specifically, it is comprised of 3 types of remuneration; fixed remuneration, performance-linked remuneration that is linked to the consolidated net income of the relevant fiscal year (a key indicator), and the transfer-restricted share-based remuneration as the medium- and long-term incentive. Outside directors shall receive fixed remuneration only.

ii) Policy for Determining the Individual Amount of Basic Remuneration (Monetary Remuneration)

Basic remuneration for the Company's directors is monthly fixed remuneration determined while taking into account a comprehensive range of factors, including their positions, duties, full/part-time status, and their level of contribution to the Company.

iii) Policy for Determining the Details and the Method of Calculation of the Amount or the Numbers of Performance-linked Remuneration

For performance-linked remuneration, monetary remuneration is paid at a certain time each year as an incentive based on the Company's performance attributable to the directors, including the representative director, in order to emphasize the linkage between the shareholder value and the executive remuneration, with the aim to improve EPS (earnings per share) directly linked to the share price, from a viewpoint of focusing on shareholder returns.

The Company is a holdings company that serves as the core of the Ferrotec Group. Therefore, consolidated net income attributable to owners of parent before performance-linked remuneration is adopted as a performance parameter for the entire corporate group. If the consolidated net income attributable to owners of parent falls below the dividend amount of a year, the performance-linked remuneration shall not be paid.

iv) Policy for Determining the Details and the Method of Calculation of the Amount or the Numbers of Transfer-restricted Share-based Remuneration

Transfer-restricted share-based remuneration is granted to directors, including the representative director, in order to share merits and risks of the share price fluctuation with shareholders, to improve the share price, and to enhance the willingness to contribute to the improvement of the corporate value more than ever. For the transfer-restricted shares, all of the monetary remuneration claims provided by the Company at a certain time of the year shall be paid as properties contributed in kind, and they shall receive the issuance of new shares or the retirement of treasury shares of the Company's common stock. The total amount of the monetary remuneration claims shall be up to 200 million yen per year, or up to 200,000 shares per fiscal year, as approved at the 39<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2019. In addition, the transfer restriction period is 3 years or longer, and such shares cannot be transferred to a third party, or be disposed of in any ways including creating a security interest during the period.

v) Policy for Determining the Ratio of the Amount of Monetary Remuneration and the Amounts of Performance-linked Remuneration or Transfer-restricted Share-based Remuneration, to the Individual Remuneration Amount for the Directors

He Xian Han, Representative Director and President, who was delegated based on the Board of Directors resolutions, will call and consult with the Compensation Committee pursuant to the provision of the rules and regulations, in order to secure fairness and transparency. The Compensation Committee shall consider the level that allows the Company to acquire and secure excellent managerial personnel, comprehensively consider various conditions including the appropriate amount as a sound incentive toward sustainable growth of the Company and its improvement of the medium- and long-term business performance, and other business environment as well as its business management strategy, then determine the ratio of fixed remuneration and variable remuneration (performance-linked remuneration and transfer-restricted share-based remuneration) for directors. The details of such decision shall be reported to the Board of Directors by the Compensation Committee.

In addition, the above consideration factors are the key indicator for the Company, and the Company shall aim to design the ratio of executive remuneration to be approximately 70% for fixed remuneration and 30% for variable remuneration, and find a comprehensive balance at the same time.

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vi) Matters Pertaining to the Delegation Concerning the Determination of Individual Remuneration for Directors

He Xian Han, Representative Director and President, is delegated based on the Board of Directors resolutions to call and consult with the Compensation Committee pursuant to the provision of the rules and regulations, and to respect the details of their report to make the decision. The reason for such delegation of this authority is because the Compensation Committee usually holds 6 meetings per year, ensures appropriateness of the level and the amount of remuneration as well as transparency of the decision-making process by making sure that the majority of the committee members are the outside directors, and also they ensure objectivity and transparency by having the Compensation Committee deliver the report to the Board of Directors.

Furthermore, in order to adopt an objective point of view from outsiders, as well as professional knowledge concerning the executive remuneration plan, the Company retained an external remuneration consultant and has been receiving assistance since June 2021.

\*The revision to be made with a resolution at the Shareholders Meeting is underlined.