

**Notice of the Issuance of New Shares as Transfer-restricted Share-based Remuneration**

Ferrotec Holdings Corporation (Representative Director: He Xian Han; hereinafter “the Company”) announces that the Company has resolved to issue new shares (hereinafter “the New Share Issuance”) as a transfer-restricted share-based remuneration in accordance with Article 370 of the Companies Act and Article 24 (Resolution in Writing as an Alternative to a Resolution of the Board of Directors) of the Articles of Incorporation of the Company. Details are as follows.

**1. Overview of the New Share Issuance**

(1)	Payment date	August 23, 2022
(2)	Type and number of shares to be issued	39,000 common shares of the Company
(3)	Issue price	2,522 yen per share
(4)	Total amount of the issue	98,358,000 yen
(5)	Planned allottees	6 directors of the Company (37,000 shares) and 2 auditors of the Company (2,000 shares) *Excluding outside directors and outside auditors
(6)	Other	Regarding the New Share Issuance, we submitted a securities notice in accordance with the Financial Instruments and Exchange Act.

**2. Purposes and reasons for the New Share Issuance**

The Company resolved to introduce a share-based remuneration plan (hereinafter “the Plan”) to give shares with transfer restrictions to the directors (excluding outside directors) and auditors (excluding outside auditors) of the Company at a meeting of the Board of Directors held on May 17, 2019. The purpose of this is to further improve the willingness of the directors (excluding outside directors) and auditors (excluding outside auditors) of the Company to contribute to a rise in the stock price and corporate value by sharing the benefits and risks of stock price fluctuations with shareholders. In addition, the 39<sup>th</sup> Ordinary General Meeting of Shareholders of the Company held on June 27, 2019 approved the following: the establishment of an upper limit on the total amount of monetary compensation of shares with transfer restrictions at no more than 200 million yen per year for directors (excluding outside directors) of the Company and no more than 10 million yen per year for auditors (excluding outside auditors) of the Company; the establishment of an upper limit on the total number of shares with transfer restrictions to be allotted in each business year to 200,000 for the directors (excluding outside directors) of the Company and 10,000 shares for auditors (excluding outside auditors) of the Company; and the establishment of a period to be stipulated by the Board of Directors of the Company of at least three years as the transfer restriction period on the shares with transfer restrictions. At the 42<sup>nd</sup> Ordinary General Meeting of Shareholders of the Company held on June 29, 2022, it was approved that an upper limit on the total amount of monetary compensation of shares with transfer restrictions to be provided to directors (excluding outside directors) of the Company will be increased to 1,000 million yen per year.

The Board of Directors of the Company today resolved to pay monetary compensation totaling 98,358,000 yen to 6 directors (excluding outside directors) of the Company and 2 auditors (excluding outside auditors) of the Company who are planned allottees (hereinafter “Allottee(s)”) as transfer-restricted share-based remuneration for the period from the 42<sup>nd</sup> Ordinary General Meeting of Shareholders of the Company already to the 43<sup>rd</sup> Ordinary General Meeting of Shareholders of the Company scheduled to be held in June 2023 and to allot 39,000 common shares of the Company as shares with special transfer restrictions by the Allottees paying all these monetary compensations with contribution in kind. The amount of the monetary compensation for each Allottee has been determined upon comprehensively taking into account various matters such as the degree of contribution of each Allottee to the Company. Moreover, we will pay monetary compensation under the condition that each Allottee enters into an allocation agreement for the shares with transfer restrictions (hereinafter “the Allocation Agreement”) that includes the following content as an outline with the Company.

The transfer restriction period will be for 30 years. This is to achieve as far as possible over a long time the purposes of introducing the Plan: namely, for the Allottees to share the benefits and risks of stock price fluctuations with shareholders to further improve their willingness to contribute to a rise in the stock price and corporate value.

### **3. Overview of the Allocation Agreement**

#### **(1) Transfer Restriction Period**

August 23, 2022 to August 22, 2052

The Allottees shall not be able to transfer to a third party, establish the right of pledge, establish transfer collateral rights, offer as a gift while alive, make bequest or conduct any other act of disposal for the shares with transfer restrictions allocated to the Allottees (hereinafter “the Allocated Shares”) during the transfer restriction period stipulated above (hereinafter “the Transfer Restriction Period”) (hereinafter “the Transfer Restrictions”).

#### **(2) Acquisition of shares with transfer restrictions for free**

In the event an Allottee resigns or retires from his/her position as director, auditor, executive officer or employee of the Company or a subsidiary of the Company (hereinafter “the Group”) from the start of the Transfer Restriction Period to the day before the day on which the first coming ordinary general meeting of shareholders is held, the Company shall acquire for free the Allocated Shares at the time of that resignation or retirement except for the case in which the reasons for that are deemed appropriate by the Board of Directors of the Company.

In addition, in the event there are shares for which the transfer restrictions have not been cancelled under the stipulations in the reasons for cancelling the transfer restrictions in (3) below at the end of the Transfer Restriction Period (hereinafter “the End of the Transfer Restriction Period”) among the Allocated Shares, the Company shall acquire for free those Allocated Shares immediately after the End of the Transfer Restriction Period.

#### **(3) Cancellation of the Transfer Restrictions**

The Company shall cancel the Transfer Restrictions on all the Allocated Shares held by the Allottees at the End of the Transfer Restriction Period under the condition that the Allottees continue to hold a position as a director, auditor, executive officer or employee of the Group from the start date of the Transfer Restriction Period to the day on which the first coming ordinary general meeting of shareholders is held. However, in the event an Allottee retires or resigns from his/her position of director, auditor, executive officer or employee of the Group before the End of the Transfer Restriction Period due to reasons deemed reasonable by the Board of Directors of the Company (e.g., expiration of term of office), the Company shall cancel the Transfer Restrictions immediately after the said retirement or resignation on the number of Allocated Shares obtained by multiplying the number of Allocated Shares held by that Allottee at that time (however, in the event this calculation results in a fraction of less than one share, it shall be rounded down) by the number obtained by dividing by 12 the number of months from July 2022 to the month that contains the date on which that Allottee resigned or retired from his/her position of director, auditor, executive officer or employee of the Group (however in the event the result of the calculation exceeds 1, it shall be 1).

#### **(4) Stipulations on the management of shares**

Each Allottee shall open an account in which the Allocated Shares are described or recorded with the method specified by the Company at SMBC Nikko Securities Inc. They shall keep and maintain the Allocated Shares in this account until the Transfer Restrictions are lifted.

#### **(5) Handling of the Allocated Shares in case of reorganization, etc.**

In the event a merger agreement in which the Company would disappear, a share exchange agreement or share transfer plan in which the Company would become a wholly owned subsidiary, or any other proposals for reorganization, etc. are approved at a meeting of shareholders of the Company (however, this shall be the Board of Directors of the Company in the event it is not necessary to seek approval at a meeting of the shareholders of the Company in relation to reorganization, etc.) during the Transfer Restriction Period, the Company shall, at the resolution of the Board of Directors, cancel the Transfer Restrictions immediately before the business day prior to the day on which the said reorganization, etc. will take effect on a number of Allocated Shares obtained by multiplying the number of Allocated Shares held by the Allottee at the date of approval (however, in the event this calculation results in a fraction of less than one share, it shall be rounded down) by the number obtained by dividing by 12 the number of months from July 2022 to the month that contains the date of the said approval (however in the event the result of the calculation exceeds 1, it shall be 1).

In this case, the Company shall acquire for free all the Allocated Shares for which the Transfer Restrictions have not been cancelled on the business day prior to the day on which the said reorganization, etc. will take effect under the provisions above.

### **4. Basis for the calculation of the payment amount and the specific details of that**

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The issue price for the New Share Issuance shall be 2,522 yen. This is the closing price of the common shares of the Company on the Tokyo Stock Exchange on the business day immediately before the day on which the resolution was passed by the Board of Directors of the Company (July 25, 2022) to ensure it is a price that excludes arbitrariness. This is the market stock price immediately before the day on which the resolution was passed by the Board of Directors. Therefore, we consider it to be reasonable and not a particularly advantageous price.