

**Notice of the Adoption of a Stock-based Compensation Plan  
Under Which Shares are Delivered after Right Allotment Conditions are Satisfied**

Ferrotec Holdings Corporation announces that, at the meeting of Board of Directors held today, the Company reviewed the executives' compensation plan, resolved to adopt a stock-based compensation plan under which shares are delivered after right allotment conditions are satisfied (hereinafter "the Plan"), and decided to bring forward a proposal concerning the Plan (hereinafter "the Proposal") at the 44<sup>th</sup> Ordinary General Meeting of Shareholders scheduled for June 27, 2024 (hereinafter "the Ordinary General Meeting of Shareholders"). Details are as follows.

1. Purpose in adopting the Plan

The Company's compensation plan for the directors currently consists of fixed remuneration, performance-linked remuneration determined based on consolidated net income (an indicator), and a restricted stock unit as a medium- and long-term incentive. The amount of such remunerations granted to the Company's directors 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 27<sup>th</sup> Ordinary General Meeting of Shareholders held on June 26, 2007. Furthermore, adoption of a restricted stock unit plan covering the Company's directors (excluding outside directors) and audit & supervisory board members (excluding outside audit & supervisory board members) was approved at the 39<sup>th</sup> Ordinary General Meeting of Shareholders held on June 27, 2019 separately from the abovementioned compensation plan, and an approval was obtained at the 42<sup>nd</sup> Ordinary General Meeting of Shareholders held on June 29, 2022 for changing the total amount of monetary remuneration claims and the total number of shares to be allotted to the Company's directors (excluding outside directors) under the plan to a maximum of 1,000 million yen and a maximum of 200,000, respectively, per fiscal year.

Today, as part of the process of reviewing and revising our executives' compensation plan, the Company would like to newly adopt a stock-based compensation plan under which shares are delivered after right allotment conditions are satisfied (hereinafter "the Plan") to the Company's directors (excluding outside directors; hereinafter "the Eligible Directors"), separately from the aforementioned remuneration approved at the 27<sup>th</sup> Ordinary General Meeting of Shareholders held on June 26, 2007, as a substitute for the conventional restricted stock unit plan covering the Company's directors (excluding outside directors) and audit & supervisory board members (excluding outside audit & supervisory board members), with the aim of strongly encouraging the Eligible Directors to execute their respective duties pursuant to the corporate philosophy and business strategies under compensation plans that are closely related to business performance and results, and corporate value and further sharing value with our shareholders.

At the Ordinary General Meeting of Shareholders, we plan to ask shareholders to give approval to the adoption of the Plan in place of the conventional restricted stock unit plan and the determination of the amounts of remuneration to be granted to the Eligible Directors under the Plan.

The Plan is comprised of the following two types of stock compensation:

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 indicator specified in advance by the Company's Board of Directors will be granted after the Prescribed Period. *Evaluation is made by comparing the total shareholder return (TSR) as an initial performance indicator with the growth rate of the Tokyo Stock Price Index (TOPIX) (including dividends).

We would like to provide monetary remuneration claims or money for delivering common shares in the Company to the Eligible Directors under the Plan with the total amount of monetary remuneration claims and money being within an amount calculated by multiplying a maximum of 470,000 shares per fiscal year by the share price at the time of delivery of shares in the Company (provided, however, that wages paid in accordance with the position as an employee for directors who concurrently

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serve as an employee are not included). When remuneration will be granted to each Eligible Director and how much remuneration or money will be provided will be determined in detail separately by the Board of Directors. Remuneration equivalent to the consideration for the duties executed over several fiscal years that correspond to the Prescribed Period can be given in a lump after the Prescribed Period.

While the Company currently has nine directors (including three outside directors), the number of Eligible Directors for the Plan will be six when Proposal No. 2 “Appointment of nine directors” is approved as proposed.

Regarding delivery of shares, the Eligible Directors pay in all the monetary remuneration claims given under the Plan as property contributed in kind and have common shares in the Company issued or disposed of in accordance with a resolution of the Company’s Board of Directors; the total number of common shares in the Company issued or disposed of accordingly shall be a maximum of 235,000 annually (provided, however, that the total number of common shares so issued or disposed of shall be adjusted to a reasonable extent when common shares in the Company are split up (including common shares in the Company allotted free of charge) or consolidated, or for any other reasons requiring adjustment of the total number of common shares in the Company issued or disposed of under the Plan on or after the date of approval of the Proposal; hereinafter the same). With regard to the total number of the shares, the amount equivalent to the consideration for the duties executed over several fiscal years corresponding to the Prescribed Period can be granted in a lump after the Prescribed Period specified in advance by the Board of Directors.

The amount to be paid in per common share in the Company to be issued or disposed of under the Plan is determined by the Board of Directors to an extent that will not become particularly favorable to the Eligible Directors who receive the common shares on the basis of the closing price of the common shares in the Company at the Tokyo Stock Exchange on the business day preceding the date of resolution by the Company’s Board of Directors concerning issuance or disposal of the common shares in the Company after the Prescribed Period (or the closing price on the latest transaction date before the date of resolution when trading of the shares in the Company is not completed on the day; hereinafter the same).

The details of remuneration in the Proposal, the upper limit of remuneration, the total number of common shares in the Company to be issued or disposed of, and other conditions for delivery of common shares in the Company to the Eligible Directors based on the Proposal have been determined while taking into account the aforementioned purpose, the Company’s business conditions, the policies on determination of such matters as remuneration to each director of the Company (the policies will be revised when the Proposal is approved so that they will be consistent with the details agreed upon), and other various circumstances, and we believe that they are reasonable.

### 2. Overview of the Plan

#### (1) RSU

RSU is a stock-based compensation program in which the monetary remuneration claims or the amount of money for delivering common shares in the Company determined in advance by the Company’s Board of Directors are granted as remuneration for the period prescribed in advance by the Company’s Board of Directors (hereinafter “the Prescribed Period”) after the Prescribed Period ends under the condition that the Eligible Directors continue to work at the Company for the Prescribed Period and satisfy other relevant conditions, and the Eligible Directors pay in all the monetary remuneration claims given under the Plan as property contributed in kind and have common shares in the Company issued or disposed of. With such matters as the amount of income taxes imposed on the Eligible Directors taken into account, the amount of money to be provided shall be equivalent to 50% of the minimum number of shares in order to allot it as funds for paying taxes arising from delivery of common shares in the Company.

The initial Prescribed Period begins on the day of the general meeting of shareholders for the fiscal year ended March 2024 and ends on the day of the general meeting of shareholders for the fiscal year ending March 2027.

#### (2) PSU

PSU is a stock-based compensation program in which the monetary remuneration claims or the amount of money for delivering common shares in the Company calculated using the equations specified in advance by the Company’s Board of Directors is provided to the Eligible Directors according to the rate of progress with the performance indicator determined by the Company’s Board of Directors after the period of performance evaluation set in advance by the Company’s Board of Directors ends, and the Eligible Directors pay in all the monetary remuneration claims given under the Plan as property contributed in kind and have common shares in the Company issued or disposed of. With such matters as the amount of income

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taxes imposed on the Eligible Directors taken into account, the amount of money to be provided shall be equivalent to 50% of the minimum number of shares in order to allot it as funds for paying taxes arising from delivery of common shares in the Company. The initial period of performance evaluation lasts for three fiscal years between the fiscal year ending March 2025 and the fiscal year ending March 2027. The Plan shall be carried out within the range approved at the Ordinary General Meeting of Shareholders, and from the fiscal year subsequent to the fiscal year ending March 2025 onward, every time a new fiscal year begins, three consecutive fiscal years starting in the new fiscal year shall be a new performance evaluation period. The initial performance indicator shall be the growth rate of the total shareholder return (TSR) of the Company (the growth rate of the Company's TSR against the growth rate of TOPIX (including dividends)).

### 3. Calculation of the number of shares to be delivered, the monetary remuneration claims, and the amount of money

#### (1) RSU

The number of common shares in the Company and the amount of money to be granted to each Eligible Director are calculated as follows:

i. The number of common shares in the Company to be delivered to each Eligible Director (\*1)

The minimum number of shares for RSU (\*2) × 50%

ii. The amount of monetary remuneration claims to be granted for delivering the number of common shares in the Company as calculated in i. above

The number of common shares in the Company calculated in i. above × the share price at the time of delivery of the shares (\*3)

iii. The amount of money to be granted to each Eligible Director

The minimum number of shares for RSU (\*2) × 50% × the share price at the time of delivery of the shares (\*3)

#### (2) PSU

The number of common shares in the Company and the amount of money to be granted to each Eligible Director are calculated as follows according to the rate of progress with the performance indicator:

i. The number of common shares in the Company to be granted to each Eligible Director (\*1)

The minimum number of shares for PSU (\*2) × 50% × payment ratio (\*4)

ii. The amount of monetary remuneration claims to be granted for delivering the number of common shares in the Company as calculated in i. above

The number of common shares in the Company calculated in i. above × the share price at the time of delivery of the shares (\*3)

iii. The amount of money to be granted to each Eligible Director

The minimum number of shares for PSU (\*2) × 50% × payment ratio (\*4) × the share price at the time of delivery of the shares (\*3)

(\*1) Any fractions less than a share arising out of calculation shall be rounded down.

(\*2) The minimum number of shares shall be determined in advance by the Company's Board of Directors.

(\*3) The share price at the time of delivery of the shares shall be determined by the Board of Directors to an extent that will not become particularly favorable to the Eligible Directors who receive the common shares in the Company on the basis of the closing price of the common shares in the Company at the Tokyo Stock Exchange on the business day preceding the date of resolution by the Company's Board of Directors concerning issuance or disposal of the common shares in the Company after the Prescribed Period.

(\*4) Payment ratio shall be determined in advance by the Company's Board of Directors within a range from 0% to 200% according to the rate of progress with the performance indicator during the performance evaluation period.

### 4. Requirements for payment to the Eligible Directors

In principle, the Company provides the Eligible Directors fulfilling the following requirements with the monetary remuneration claims or the amount of money for delivering common shares in the Company calculated in 1. above after the Prescribed Period:

i. The Eligible Director continuously holds the position of director, the position of executive officer who does not concurrently serve as the director, or any other position specified by the Company's Board of Directors during the Prescribed Period.

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- ii. The Eligible Director does not commit any unlawful acts specified by the Company's Board of Directors.
- iii. The Eligible Director satisfies any other requirements deemed necessary by the Company's Board of Directors in order to accomplish the purpose of the Plan.

When any of the Eligible Directors resigns or retires for good reason during the Prescribed Period, either common shares in the Company or money, or both, will be granted to the Eligible Director in a rational manner as prescribed by the Company's Board of Directors for each reason only if the resignation or retirement is for any of the reasons specified in advance by the Company's Board of Directors.

When any of the Eligible Directors resigns or retires from the aforementioned position because he or she passed away before the date of delivery of common shares in the Company during or after the Prescribed Period, money will be granted instead of monetary remuneration claims or common shares in the Company as contribution in kind for the monetary remuneration claims to the Eligible Director. The amount of money to be paid to the Eligible Director shall be calculated by multiplying the amount reasonably adjusted according to the rate of progress with the performance indicator or the term of office of the director by the closing price of the common shares in the Company at the Tokyo Stock Exchange on the date of the resignation or retirement.

### 5. How remuneration is granted in the case of organizational restructuring and other relevant events

The Company will provide the amount of money calculated by multiplying the number of shares reasonably adjusted by taking into account matters such as the period between the day when the Prescribed Period started and the day when the relevant organizational restructuring was approved by the value that is not particularly favorable to the Eligible Directors on the basis of the closing price of the common shares in the Company at the Tokyo Stock Exchange on the business day preceding the date of the approval, as a substitute for the common shares in the Company, when an agreement on merger that will make the Company a merged company, an agreement on stock exchange or a plan of stock transfer that will make the Company a wholly owned company, or any other items regarding such matters as organizational restructuring are approved at the Company's ordinary general meeting of shareholders (or by the Company's Board of Directors when approval at the Company's ordinary general meeting of shareholders is not required concerning such organizational restructuring and other related matters) during the Prescribed Period.

### 6. Clawback provisions

The Company intends to establish clawback provisions under which the Eligible Directors are obliged to return to the Company free of charge all or part of the shares in the Company or money granted to them under the Plan based on a resolution by the Company's Board of Directors when any violation specified in the remuneration regulations occurs, such as serious accounting fraud or huge losses due to illegal acts by the Eligible Directors.

[Reference] Adoption of a stock-based compensation plan under which shares are delivered after right allotment conditions are satisfied for executive officers

The Company intends to adopt a plan like the one designed for the Eligible Directors by the resolution of the Company's Board of Directors in order to cover the executive officers who do not concurrently serve as directors at the Company when the Proposal is approved.