

BRIDGE REPORT



President
He Xian Han

Ferrotec Corporation (6890)



Company Information

Exchange	TSE Standard Market
Industry	Electric Equipment (Manufacturing)
President	He Xian Han
HQ Address	Nihonbashi Plaza Building, Nihonbashi 2-3-4, Chuo-ku, Tokyo
Year-end	March
Website	https://www.ferrotec.co.jp/en/

Stock Information

Share Price	Shares Outstanding (Term end)		Market Cap.	ROE (Act.)	Trading Unit
¥3,120	46,820,527 shares		146,080 million	7.1%	100 shares
DPS (Est.)	Dividend Yield (Est.)	EPS (Est.)	PER (Est.)	BPS (Act.)	PBR (Act.)
¥148.00	4.7%	¥341.73	9.1x	¥5,058.27	0.6x

*Share price as of closing on July 2. Shares outstanding (Excluding Treasury Shares), DPS, EPS, BPS, and ROE are taken from the summary of financial results of the fiscal year ended March 2025.

Consolidated Earnings Trends

Fiscal Year	Sales	Operating Income	Ordinary Income	Net Income	EPS (¥)	DPS (¥)
March 2019 (Act.)	89,478	8,782	8,060	2,845	76.90	24.00
March 2020 (Act.)	81,613	6,012	4,263	1,784	48.12	24.00
March 2021 (Act.)	91,312	9,640	8,227	8,280	222.93	30.00
March 2022 (Act.)	133,821	22,600	25,994	26,659	668.06	50.00
March 2023 (Act.)	210,810	35,042	42,448	29,702	644.81	105.00
March 2024 (Act.)	222,430	24,872	26,537	15,154	322.65	100.00
March 2025 (Act.)	274,390	24,089	25,558	15,692	334.13	141.00
March 2026 (Est.)	285,000	28,000	26,000	16,000	341.73	148.00

*The forecast is from the company. Unit: million-yen, yen. The dividend for fiscal year ended March 2021 includes a commemorative dividend of 4.00 yen/share. The dividend for fiscal year ended March 2022 includes a special dividend of 9.00 yen/share. Net income is net income attributed to parent shareholders. The same shall apply hereafter.

This Bridge Report reviews the overview of Ferrotec's full-year earnings results for the fiscal year ended March 2025 and full-year earnings estimates for the fiscal year ending March 2026.

*Ferrotec Holdings performed an absorption-type merger with Ferrotec Material Technologies Corporation, a Japanese subsidiary, on

July 1, 2025, and changed the company name to “Ferrotec Corporation.”

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Key Points

- In the fiscal year ended March 2025, sales grew 23% year on year, while operating income declined 3% year on year. Although sales increased in all segments, overall operating income fell due to a decrease in profit of each segment except the electronic device business. The rate of achievement with respect to the company’s forecast was 103.5% for sales and 92.7% for operating income. Profitability dropped due to the sluggish situation on certain markets and demand adjustment, as a result of which all kinds of profits fell short of the forecast.
- While the bearish situation on the market for quartz crucibles for PV related to semiconductor equipment and demand adjustment concerning automotive related power semiconductor substrates did indeed suppress profitability, profit was impacted more significantly by the increase in depreciation of 7.3 billion yen and the burden of startup costs brought up by the construction of new plants and plant enlargement. Nevertheless, this augmentation in costs was expected, and there is no need to despair over the decline in operating income.
- The company’s forecast for the full fiscal year ending March 2026 calls for sales of 285 billion yen (up 4% year on year), an EBITDA of 55 billion yen (up 15% year on year) and an operating income of 28 billion yen (up 16% year on year). Exchange rates (average in the fiscal year) are presumed to be 146 yen for the US dollar (the actual rate was 152.24 yen in FY 3/25) and 20 yen for Chinese yuan (21.12 yen in FY 3/25). Investments in facilities are expected to reach 65 billion yen (51.77 billion yen in FY 3/25). This plan is based on the presumption that demand will recover from the second half of the year on.
- The company also disclosed a medium-term management plan lasting until the fiscal year ending March 2028. Regarding CAGR for the three terms from the fiscal year ended March 2025, the company forecasts an increase of 13% for sales and an increase of 25% for operating income. No changes have been made to the trial balloon of reaching 500 billion yen in sales and 50 billion yen in net income by the fiscal year ending March 2031, which the company has been floating. Despite a possible negative impact from the external environment in the short term, the company projects an expansion of their major markets in the medium term amid the backdrop of expansion of the generative AI market and the EV market. In addition, needs for production outside China from customers in Europe and the U.S. are expected to grow. As the company is already investing in facilities, projecting this kind of development, a rapid growth in both sales and profit can be anticipated if the market recovers in the second half of this fiscal year as expected.
- It is difficult to expect top-line growth in the short term as the impact of user inventory will persist for a while, while there are tariff policies instituted by the Trump administration in the U.S. and geopolitical risks are growing. However, growth is projected in all business domains in the medium term amid the backdrop of an increase in investment in generative AI servers and the expansion of the EV market. The company is forging ahead with investment in facilities, presuming such

market expansion in the medium term. If the market clearly expands in the second half of 2025 as expected, the top-line growth is likely to accelerate again, supported by the abundant production capacity. Naturally, as a delay in the timing of recovery would increase the burden of investment, the risk of revenue imbalance should be kept in mind.

- We would like to refocus on the fact that the company further clarified their approach to management conscious of capital costs and stock price in July 2024. Regarding shareholder return, the company states the target of 50% for total return ratio, setting the lower limit for DOE at 3.5%. While it is quite difficult to place a higher valuation, given the hardly foreseeable impact of policies instituted by the Trump administration and the cyclical nature of the market, we would like to properly recognize the increased feasibility of stable growth as a result of upfront investments.

1. Company Overview

Ferrotec Corporation develops, manufactures, and sells silicon products, magnetic fluid, sensors, and products to which such items are applied, as well as Vacuum Feedthroughs that are used in equipment for manufacturing semiconductors and flat panel displays (FPDs), quartz products, ceramics products, CVD-SiC products, silicon parts, crucibles, and thermo-electric modules used in temperature controllers.

These products are categorized roughly into either the “semiconductor equipment-related business,” “the electronic device business,” or “the automotive-related business.” The core products and the major companies in each segment are as follows:

Segment	Core products	Major companies	
Semiconductor equipment-related business	Vacuum Feedthroughs	Development, manufacturing, sale	Ferrotec Material Technologies Corporation Ferrotec (USA) Corporation
		Development, sale	Hangzhou Dahe Thermo-Magnetics Co., Ltd. (FTH) Ferrotec Taiwan CO., LTD. KSM FerroTec Co., Ltd.
		Sale	FERROTEC CORPORATION SINGAPORE PTE LTD
	Quartz products	Development, sale	Hangzhou Dahe Thermo-Magnetics Co., Ltd. (FTH) Ferrotec (Zhejiang) Quartz Technology Co., Ltd. Aliontek Corporation.
		Sale	Ferrotec Material Technologies Corporation Ferrotec (USA) Corporation FERROTEC CORPORATION SINGAPORE PTE LTD Ferrotec Taiwan CO., LTD.
	Ceramics products	Development, manufacturing, sale	Ferrotec Material Technologies Corporation Hangzhou Dahe New Material Technology Co., Ltd. Ferrotec (Zhejiang) Semiconductor Material Technology Co., Ltd.
		Sale	Ferrotec (USA) Corporation FERROTEC CORPORATION SINGAPORE PTE LTD
	CVD-SiC products	Development, manufacturing, sale	Ferrotec Material Technologies Corporation
	Equipment parts cleaners	Development, sale	Ferrotec (Anhui) Technology Development Co., Ltd.
	Silicon parts	Development, sale	Hangzhou Dunnyuan Juxin Semiconductor Technology Co., Ltd. (FTHS) Zhejiang Dunnyuan Juxin Semiconductor Technology Co., Ltd.
Electronic device business	Thermo-electric modules	Development, manufacturing, sale	Ningxia Dunnyuan Juxin Semiconductor Technology Corporation (FTNC)
		Development, sale	Ferrotec (USA) Corporation Ferrotec Europe GmbH Hangzhou Dahe Thermo-Magnetics Co., Ltd. (FTH) Anhui Changjiang Reclaim Semiconductor Material Co., Ltd. Hangzhou Semiconductor Wafer Co., Ltd. (CCMC)
		Sale	Ferrotec (USA) Corporation Ferrotec Nord Corporation Ferrotec Europe GmbH

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		Manufacturing	Hangzhou Dahe Thermo-Magnetics Co., Ltd. (FTH) Shanghai Shenhe Investment Co., Ltd. (FTS)
	Power semiconductor substrates	Development, manufacturing, sale	Jiangsu Ferrotec Semiconductor Technology Co., Ltd. (FLH) Ferrotec (Sichuan) Semiconductor Technology Co., Ltd. (FLHC)
	Magnetic fluid	Development, manufacturing, sale	Ferrotec Material Technologies Corporation Ferrotec (USA) Corporation
		Sale	Shanghai Shenhe Investment Co., Ltd. (FTS) FERROTEC CORPORATION SINGAPORE PTE LTD
	Sensors	Development, manufacturing, sale	OHIZUMI MFG. CO., LTD. Ferrotec (Zhejiang) Sensor Technology Co., Ltd.
Others		Development, manufacturing, sale	Ferrotec (USA) Corporation Shanghai Shenhe Investment Co., Ltd. (FTS) Shanghai Hanhong Precision Machinery Co., Ltd. Hong Kong First Semiconductor Technology Co., Ltd. Ningxia Shenhe New Material Technology Co., Ltd. MES Ferrotec China Co., Ltd.

(Excerpt from the company's Annual Securities Report for FY 3/24)

*The electronic device business was divided into the electronic device business and the automotive-related business in FY 3/25. The chart above is based on the classification used until FY 3/24.

Ferrotec was born as a company with highly unique technologies including thermo-electric modules with uses in thermal elements and vacuum technologies that respond to magnetic fluids that were born from the NASA space program in 1980. A wide range of diverse technologies cultivated over more than 40 years were applied in the electronics, automobile, next generation energy, and other industries. As a transnational company, Ferrotec deploys its businesses in Japan, Europe, the Americas, China, and Asia, and involves in marketing, development, manufacturing, sales, and management while taking advantage of the strengths of each country and region. A holding company structure was implemented from April 2017. In April 2022, due to market reorganization, the company got listed on the Standard Market of TSE.

1-1 Business Segments

Ferrotec's operations includes semiconductor seal related products such as Vacuum Feedthrough, quartz products, ceramic products, etc. used in manufacturing equipment of semiconductor, FPD, LED etc., electronic device business centering on thermo-electric modules, "the automotive-related business," which handles mainly thermos-electric modules for in-vehicle systems, substrates for power semiconductors, and sensors, and business segments that are not included in the reportable segments. Other businesses, which handle silicon crystal and solar cell wafers, saw blades, machine tools, surface treatment, industrial washing machines etc.

Semiconductor Equipment-related Business

Ferrotec provides total engineering services in the Equipment Related business segment, including the manufacture and sale of Vacuum Feedthrough of equipment parts for solar power, semiconductor, FPD and LED applications, consumable products used in manufacturing of devices, quartz products, ceramic products, CVD-SiC products, quartz crucibles, silicon wafer processing and equipment cleaning services.

Vacuum Feedthroughs, which are the company's mainstay products, are functional parts that transmit rotational motion to the inside of manufacturing equipment while preventing foreign substances, including gas and dust, from entering the inside of equipment. This Vacuum Feedthrough boasts the top market share in the world. These Vacuum Feedthrough use magnetic fluids (Fluids that respond to magnetic fields), which has been a core technology of Ferrotec since its founding. All of the business fields, however, are easily affected by capital investment, and the company focuses also on entering general fields with relatively stable demand, including conveyers and precision robots. In addition, Ferrotec has also focused its efforts upon assuming consigned manufacture of vacuum chambers that use Vacuum Feedthrough and gate valves (Both use vacuum related equipment).

At the same time, quartz products, ceramic products, CVD-SiC products, and quartz crucibles are critical elements in the process of semiconductor manufacturing. Quartz products are able to resist high temperature conditions that exist in the semiconductor manufacturing process and are a high purity silica glass product that protects semiconductors from undergoing chemical reaction by

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preventing it from activating with gas. The Company boasts of semiconductor manufacturing equipment manufacturers as their main clients in Japan and overseas who purchase ceramic products, which are Ferrotec's core material and technology. At the same time, semiconductor inspection tools for machinable ceramics and fine ceramics used in semiconductor manufacturing equipment are two main products in this CVD-SiC. CVD-SiC products are the term used to describe SiC products manufactured by "CVD method (Chemical Vapor Deposition method)" (created from compounds of silicon and carbon gas). Currently, semiconductor equipment and structural parts are provided, and research and development for products used in aeronautics and space (Turbine, mirrors), automobile (Power semiconductors), energy (Nuclear power related), information technology (Semiconductor manufacturing equipment parts) and other applications are also being conducted. With regard to silicon wafer processing, the company manufactures wafers in sizes of 6 inches (diameter), 8 inches, and 12 inches. It has a large market share accounting for more than half of the manufacturing equipment cleaning market in China.

Jigs and consumables for semiconductor manufacturing equipment (our mainstay material products)



Quartz



Silicon parts



Ceramics



CVD-SiC

Our strengths: Not only capital investment-linked products (vacuum feedthroughs), but also a lineup of repeat consumables (materials) and services (cleaning and wafer recycling) linked to the production and operation of semiconductor device manufacturers



Vacuum feedthroughs

*Semiconductor and FPD production equipment parts



Metal precision machining

*Growth forecast due to increase in future customers (factories) in China



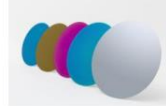
Equipment parts cleaning

*Focus on the Chinese market



Quartz crucibles

*For semiconductors, solar cells, and Photovoltaic



Wafer recycling

*Focus on the Chinese market (New business launched in FY3/22)

Businesses at equity-method affiliates



Silicon wafers

*Monthly production capacity: 6-inch: 420 thousand, 8-inch: 450 thousand, 12-inch: 250 thousand



SiC wafers

*Development and mass-production (New business launched in FY3/22)

(From the company's materials)

Electronic Device Business

Thermal element "thermo-electric modules" are products that can instantly raise or lower temperatures to a highly precise degree and are a core product of this business.

Thermo-electric modules are mainly used for automotive temperature control seats and many other purposes, including wafer temperature control in semiconductor manufacturing equipment, genetic testing apparatus, optical communications, home appliances, and other application products such as power semiconductor substrates. The company has the largest share in the global market of thermo-electric modules. By developing new products using high-performance materials and reducing costs and improving quality by adopting automated manufacturing lines, the company is stirring new demand and diversifying purposes of use of its products.

The company has the biggest share in the global market of magnetic fluid, which is increasingly used for such newly developed applications as linear vibration motors for smartphones, speakers for 4K-resolution televisions and automobiles, and high-sound-quality headphones. Furthermore, OHIZUMI MFG. CO., LTD., one of its consolidated subsidiaries, engages in a business of temperature sensors.

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Thermo-electric modules*



*As temperature adjustment devices, thermo-electric modules are increasingly used in the fields of automobiles, semiconductor manufacturing equipment, communications, medical biotechnology, consumer products, etc.



Chiller

A chiller (constant-temperature water circulation equipment) is equipment for circulating liquid, such as water, while cooling or heating it to keep a predetermined temperature. It is used for keeping the temperature of objects, such as heat sources of facilities and equipment, constant.

Insulating substrates for power semiconductors*



*In response to the global trend of power consumption reduction, the demand from clients needing power semiconductors is growing. (DIRECT COPPER BONDING technology for bonding a copper circuit to an alumina ceramics substrate)

Application of power semiconductors



Ferrofluid



*Used in a wider range of fields, including automobile speakers, high quality sound TV speakers, and smartphone vibration

Temperature sensors (thermistors)*



*Thermistors are semiconductor ceramics that change resistance significantly according to temperature changes. They are broadly used as temperature sensors for automotive devices, home appliances, optical communications, etc. The demand for them is growing thanks to the electrification of vehicles and digitalization.

(From the company's materials)

Automotive-related Business

Thermo-electric modules, power semiconductor substrates and sensors for in-vehicle systems, which used to be included in the electronic device business, have been disclosed as an **automotive-related business** since the first quarter of the fiscal year ended March 2025.



(From the company's materials)

2. Full-Year Earnings Results for the Fiscal Year ended March 2025

2-1 Consolidated Earnings

	FY 3/24	Ratio to sales	FY 3/25	Ratio to sales	YoY	FY 3/25 (Plan)	Achievement rate
Sales	222,430	100.0%	274,390	100.0%	+23.4%	265,000	103.5%
Gross Income	69,856	31.4%	73,361	26.7%	+5.0%	-	-
SG&A	44,984	20.2%	49,271	18.0%	+9.5%	-	-
Operating Income	24,872	11.2%	24,089	8.8%	-3.1%	26,000	92.7%
Ordinary Income	26,537	11.9%	25,558	9.3%	-3.7%	26,000	98.3%
Net Income	15,154	6.8%	15,692	5.7%	+3.6%	16,000	98.1%

*Unit: million yen.

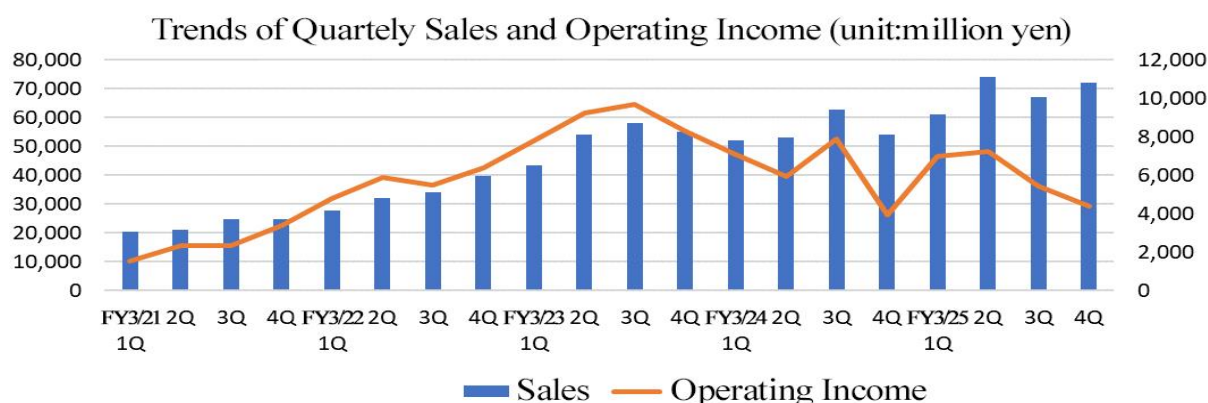
Almost in line with the company's forecast with no abnormality

In the fiscal year ended March 2025, sales increased 23% year on year to 274,390 million yen and operating income declined 3% year on year to 24,089 million yen. Although sales in all segments grew, overall operating income fell due to a decrease in profit of each segment except the electronic device business. While the bearish situation on the market for quartz crucibles for PV related to semiconductor equipment and demand adjustment concerning automotive related power semiconductor substrates did indeed suppress profitability, we would like to consider that profit was impacted more significantly by the increase in depreciation of 7.3 billion yen and the burden of startup costs brought up by the construction of new plants and plant enlargement. This augmentation in costs is a result of strategical investments looking ahead at the future, and it was expected. Therefore, there is no need to despair over the decline in operating income.

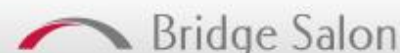
The rate of achievement of the company's forecast was 103.5% for sales and 92.7% for operating income. Profitability dropped due to the sluggish situation on certain markets and demand adjustment, as a result of which all kinds of profit fell short of the plan.

Regarding the electronics industry in general, healthy demand in China drove the market in addition to the favorable situation of investments in servers in step with the growth of generative AI. Demand from Europe and the U.S. has also been showing a trend of recovery since the previous fiscal year, and it can be said that the overall situation is steady. The EV market, where power semiconductors are mainly used, was generally healthy, showing an increase in the number of cars sold in China, etc. However, inventory adjustment persisted on the solar panel market, as the price of solar panels remained low for a long period of time.

In terms of revenues, gross profit margin dropped 4.7 points year on year. This decline was caused by the worsened profitability of quartz crucibles in the sluggish PV market, in addition to the augmentation in depreciation of new plants, etc. Although the SG&A-to-sales ratio fell from 20.2% in the previous fiscal year to 18.0%, owing to the growth in sales, etc., operating income margin decreased 2.4 points year on year to 8.8%, leading to a decline in operating income. Moreover, although non-operating revenues increased 2,326 million yen compared to the previous fiscal year due to a growth in foreign exchange gains and income from subsidies, non-operating loss augmented 2,513 million yen compared to the previous fiscal year due to a rise in interest expenses caused by an increase in interest-bearing liabilities, and an augmentation of equity in net losses of affiliated companies, such as companies that produce wafers. Consequently, ordinary income margin dropped 2.6 points year on year.



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2-2 Business Segment Trends

Business Segment Sales and Profits

	FY 3/24	Ratio to sales Profit margin	FY 3/25	Ratio to sales Profit margin	YoY
Semiconductor Equipment -related	130,072	58.5%	165,245	60.2%	27.0%
Electronic Device	41,727	18.8%	50,487	18.4%	21.0%
Automotive -related	25,872	11.6%	30,463	11.1%	17.7%
Others	24,757	11.1%	28,194	10.3%	13.9%
Consolidated Sales	222,430	100.0%	274,390	100.0%	23.4%
Semiconductor equipment -related	16,260	12.5%	12,305	7.4%	-24.3%
Electronic Device	6,829	16.4%	8,250	16.3%	20.8%
Automotive -related	4,060	15.7%	3,599	11.8%	-11.4%
Others	-1,197	-4.8%	843	3.0%	-
Adjustments	-1,080	-	-909	-	-
Consolidated Operating Income	24,872	11.2%	24,089	8.8%	-3.1%

*Unit: million yen.

In 1Q of FY 3/25, the company restructured its reporting segments. Specifically, automotive thermo-electric modules, power semiconductor substrates, and sensors, which were previously included in the electronic device business, have been reclassified and are now included in the automotive-related business. The figures for FY 3/24 have been retrospectively adjusted to reflect this new segmentation.

(1) Semiconductor Equipment-related Business

Sales in the semiconductor equipment-related business increased 27% year on year to 165,245 million yen, while operating income decreased 24% year on year to 12,305 million yen. Profit margin dropped 5.1 points year on year to 7.4%. While demand from the U.S., mainly for ceramic products, has been showing signs of recovery, the impact of client inventory has been noted with regard to quartz and silicon parts. Demand from China grew, also owing to the introduction of new items. In addition to the construction of new plants and plant enlargement as well as an augmentation in startup costs for launching new transactions to capitalize on demand for the semiconductor equipment-related business in China, the profitability of quartz crucibles for PV worsened, leading to a significant decline in profit margin.

	FY 3/24 1H	FY 3/24 2H	FY 3/24 Full Year	FY 3/25 1H	FY 3/25 2H	FY 3/25 Full Year
Vacuum Feedthroughs	11,730	13,512	25,242	19,347	19,848	39,195
Quartz products	11,584	16,657	28,242	16,134	15,795	31,930
Silicon parts	7,712	6,892	14,604	7,172	6,514	13,687
Ceramics products	11,657	12,656	24,314	15,448	17,707	33,155
CVD-SiC products	2,999	3,837	6,836	3,992	4,199	8,192
EB-Gun, LED deposition equipment	3,011	2,923	5,935	4,076	4,166	8,242
Wafer processing	43	86	129	10	-0	10
Recycled wafers	752	1,027	1,780	1,251	1,605	2,856
Equipment parts cleaning	5,424	6,294	11,719	7,061	8,245	15,306
Quartz crucibles	5,341	5,927	11,268	9,547	3,121	12,668
Semiconductor equipment-related business	60,257	69,814	130,072	84,042	81,202	165,245

(2) Electronic Device Business

Sales in the electronic device business increased 21% year on year to 50,487 million yen and operating income rose 21% year on year to 8,250 million yen. Profit margin fell 0.1 points year on year to 16.3%. Moreover, as the consolidated subsidiary OHIZUMI MFG., which manufactures sensors, changed its accounting period, so that fiscal year became nine months, it should be noted that performance for six months only has been posted for this company. The shipment of thermo-electric modules for optical transceivers has been continuously favorable amid the backdrop of growing investments in generative AI-related servers. Growth has also been noted in power semiconductor substrates for industrial machinery in step with the completion of client inventory adjustments.

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	FY 3/24 1H	FY 3/24 2H	FY 3/24 Full Year	FY 3/25 1H	FY 3/25 2H	FY 3/25 Full Year
Thermo-electric modules	8,844	10,504	19,348	12,431	14,794	27,225
Power semiconductor substrates	7,245	9,526	16,772	8,692	9,460	18,152
Ferrofluid, Others	398	524	922	575	562	1,137
Sensors	2,344	2,338	4,682	1,387	2,584	3,971
Electronic Device Business	18,834	22,893	41,727	23,085	27,401	50,487

(3) Automotive-related Business

Sales of the automotive-related business (thermo-electric modules, power semiconductor substrates, and sensors) increased 18% year on year to 30,463 million yen, while operating income declined 11% year on year to 3,599 million yen. Just like in the electronic device business, as the consolidated subsidiary OHIZUMI MFG. changed its accounting period and the fiscal year 2025 became nine months, performance for six months only has been posted for this company. This point must be kept in mind. As for power semiconductor substrates, sales of AMB substrates for electric vehicles (EVs) increased, while sales of thermo-electric modules grew owing to the increase in sales of refrigerators for automobiles. As a result, growth in sales was maintained. In terms of revenues, operating income margin considerably worsened as the competition concerning DCB power semiconductor substrates grew fierce. However, as profitability showed signs of bottoming out in the second quarter (three months), we would like to pay attention to future trends.

	FY 3/24 1H	FY 3/24 2H	FY 3/24 Full Year	FY 3/25 1H	FY 3/25 2H	FY 3/25 Full Year
Thermo-electric modules	1,795	1,748	3,544	3,108	3,304	6,412
Power semiconductor substrates	8,857	6,896	15,754	9,628	9,621	19,250
Sensors	3,352	3,220	6,572	1,567	3,233	4,801
Sales of Automotive-related Business	14,006	11,866	25,872	14,304	16,159	30,463

(4) Other Businesses

Sales in the other business segment, which includes saw blades, machine tools, and silicon products for solar cells, increased 14% year on year to 28,194 million yen, while operating income was positive, reaching 843 million yen (operating loss was posted in the previous fiscal year). Shipments of silicon products for solar cells continued to decline.

2-3 Financial Condition**◎ Financial Condition**

	Mar, 24	Mar, 25	Increase Decrease		Mar, 24	Dec, 24	Increase Decrease
Current Assets	248,408	295,367	+46,959	Current liabilities	122,148	151,750	+29,602
Cash	117,254	117,727	+473	Payable	38,334	55,394	+17,060
Receivable	61,940	92,608	+30,668	ST Interest-Bearing	47,476	59,074	+11,598
Inventory	56,909	72,077	+15,168	Noncurrent liabilities	109,712	125,292	+15,580
Noncurrent Assets	261,618	305,226	+43,608	LT Interest-Bearing	87,684	103,222	+15,538
Tangible Assets	201,339	245,064	+43,725	Total Liabilities	231,860	277,043	+45,183
Intangible Assets	6,611	6,166	-445	Net Assets	278,166	323,549	+45,383
Investments and Other Assets	53,666	53,996	+330	Retained earnings	79,881	90,435	+10,554
Total Asset	510,026	600,593	+90,567	Total Assets	510,026	600,593	+90,567

*Unit: million yen. Total interest-bearing liabilities do not include lease obligations.

Total assets increased to 600,593 million yen, up 90,567 million yen from the end of the previous fiscal year. The main factors behind

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this increase were an increase in accounts receivable and contract assets due to sales increase and an increase in tangible fixed assets due to continued active investment in each business.

Total liabilities augmented 45,183 million yen year on year to 277,043 million yen. The main factors behind this increase were an increase in accounts payable and interest-bearing liabilities.

Net assets rose 45,383 million yen year on year to 323,549 million yen due to the 10,554 million yen increase in retained earnings, the 21,543 million yen increase in foreign currency translation adjustments, and the 12,961 million yen increase in noncontrolling shareholders' equity.

◎ Cash Flow

	FY 3/24	FY 3/25	Increase Decrease
Operating cash flow	28,720	26,066	-2,654
Investing cash flow	-92,400	-39,627	52,773
Free Cash Flow	-63,680	-13,561	50,119
Financing cash flow	60,419	18,965	-41,454
Cash and Equivalents at the end of term	96,806	108,899	12,093

*Unit: million yen.

Expenditure for the acquisition of tangible fixed assets, which was 74,489 million yen in the previous fiscal year, decreased. However, the company continued to make proactive investments, spending 51,239 million yen. The deficit in free cash flow was offset with income from long-term borrowings, etc., coupled with cash flow from operating activities, stemming from profit and loss in the fiscal year. As a result, the cash flow balance at the end of the fiscal year increased 12,093 million yen year on year to 108,899 million yen.

3. Full-Year Earnings Estimates for the Fiscal Year ending March 2026

3-1 Full Year Consolidated Earnings

	FY 3/25	Ratio to sales	FY 3/26	Ratio to sales	YoY
Sales	274,390	100.0%	285,000	100.0%	+3.9%
Operating Income	24,089	8.8%	28,000	9.8%	+16.2%
Ordinary Income	25,558	9.3%	26,000	9.1%	+1.7%
Net Income	15,692	5.7%	16,000	5.6%	+2.0%

*Unit: million yen

Presumption of overall recovery trend in the second half of the fiscal year

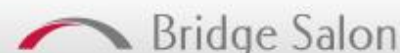
The company's forecast for the full fiscal year ending March 2026 calls for sales of 285 billion yen (up 4% year on year), an EBITDA of 55 billion yen (up 15% year on year) and an operating income of 28 billion yen (up 16% year on year). Exchange rates (average in the fiscal year) are presumed to be 146 yen for the U.S. dollar (the actual rate was 152.24 yen in FY 3/25) and 20 yen for Chinese yuan (21.12 yen in FY 3/25). Investments in facilities are expected to reach 65 billion yen (51.77 billion yen in FY 3/25).

With regard to the external environment, the presumption of overall recovery trend remains unchanged. Demand for semiconductors is forecast to keep growing in 2025. An increase in demand is projected especially for GPUs indispensable for generative AI in the logic semiconductor field. Growth in memory is expected as well.

On the other hand, when it comes to demand for semiconductor manufacturing equipment, it is forecast that sale to China will be stagnant due to friction concerning semiconductors between the U.S. and China, with regard to the demand for the Wafer Fab Equipment (WFE). It will also be necessary to carefully consider the impact of tariff policies instituted by the Trump administration in the U.S.

It will be important how the company can benefit from boosting investments in generative AI servers in the electronic device business. In addition, the full-year performance of OHIZUMI MFG. and sales expansion on the Chinese market centered on the new plant in Lishui will be likely to contribute to a growth in sales. There will be a need to keep considering the impact of client inventory with regard

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to power semiconductors.

The strong yen is presumed to negatively impact revenues in addition to the increase in depreciation stemming from investments for boosting production (actual expenses of 23,672 million yen in the previous fiscal year are forecast to augment to 27,000 million yen in this fiscal year). In terms of non-operating income and loss, the company expects a decrease in income from subsidies in China.

	FY 3/25 1H	FY 3/25 2H	FY 3/25 Full Year	FY 3/26 1H	FY 3/26 2H	FY 3/25 Full Year
Vacuum Feedthroughs	19,347	19,848	39,195	24,395	25,379	49,774
Quartz products	16,134	15,795	31,930	15,634	16,296	31,930
Silicon parts	7,172	6,514	13,687	6,485	6,483	12,968
Ceramics products	15,448	17,707	33,155	17,647	21,495	39,142
CVD-SiC products	3,992	4,199	8,192	3,728	4,434	8,162
EB-Gun, LED deposition equipment	4,076	4,166	8,242	2,737	3,390	6,127
Wafer processing	10	-0	10	0	0	0
Recycled wafers	1,251	1,605	2,856	2,137	2,290	4,427
Equipment parts cleaning	7,061	8,245	15,306	8,247	9,350	17,597
Quartz crucibles	9,547	3,121	12,668	3,199	4,076	7,275
Semiconductor Equipment-related Business	84,042	81,202	165,245	84,210	93,192	177,402
Thermo-electric modules	12,431	14,794	27,225	14,858	16,323	31,181
Power semiconductor substrates	8,692	9,460	18,152	8,680	8,039	16,719
Ferrofluid, Others	575	562	1,137	608	762	1,370
Sensors	1,387	2,584	3,971	3,005	4,647	7,652
Electronic Device Business	23,085	27,401	50,487	27,150	29,771	56,921
Thermo-electric modules	3,108	3,304	6,412	2,539	2,574	5,113
Power semiconductor substrates	9,628	9,621	19,250	10,546	12,407	22,953
Sensors	1,567	3,233	4,801	3,252	4,561	7,813
Sales of Automotive-related Business	14,304	16,159	30,463	16,338	19,540	35,878

4. New Mid-Term Management Plan (FY 3/26 to FY 3/28)

4-1 Basic policies of the new mid-term management plan

The basic policies of the new mid-term management plan are as follows:

Business growth	<ul style="list-style-type: none"> ➤ Expand semiconductor related, electronic device and automobile related businesses to pursue growth ➤ Focus on capturing semiconductor-related needs in China while reinforcing production outside China, such as in Malaysia, responding to needs for manufacturing outside China (Ex-China), brought about by the friction between the U.S. and China
Enhancement of productivity and improvement of production efficiency	<ul style="list-style-type: none"> ➤ Raise return rate by boosting production and improving efficiency at plants in Malaysia (Kulim, Johor) ➤ Pursue the improvement of production efficiency and the enhancement of competitiveness by working on digitalization, automatization, and adoption of AI ➤ Promote and enhance the development of new products and new technologies, continuing rigorous quality control under the philosophy of “what matters is quality.”
Human resources and corporate culture	<ul style="list-style-type: none"> ➤ Promote the recruitment and training of personnel, viewing the emphasis on human resources as an important management strategy ➤ Continue activities for diffusing the policy of “respecting clients, respecting employees, paying respect to diligence and trust, and taking steady action to pursue innovation,” as corporate culture is the cornerstone of a company

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Financial and shareholder returns

- Consider ways of utilizing market value of shares, which is projected to increase upon the integration of FTSVA, a cleaning business subsidiary, and FLH, a subsidiary for power semiconductor substrates, which are listed on the Chinese market
- Policy to adopt DOE and flexibly consider treasury stock acquisition in accordance with the new shareholder return policy

(Produced by Investment Bridge Co., Ltd. with reference to disclosed material.)

4-1 Numerical Targets of Mid-term Management Plan

(million yen)	Mid-term management plan (FY 3/25 – FY 3/27)			
	FY 3/25 (Act.)	FY 3/26 (Est.)	FY 3/27 (Est.)	FY3/28 (Est.)
Sales	274,390	285,000	340,000	400,000
Operating income	24,089	28,000	35,000	47,000
Operating income margin	8.8%	9.8%	10.3%	11.8%
Net income	15,692	16,000	20,000	29,000
ROE	7.1%			15.0%
ROIC	3.1%			8.0%
Shareholder's equity ratio	39.4%	40%		
Investment amount	51,776	65,000	40,000	40,000
Dividend per share (yen)	141.0	148.0	Lower limit for DOE at 3.5% Total return ratio of 50%	

*ROIC = Net income attributable to owners of the parent / (interest-bearing liabilities + net assets); Net assets do not include share acquisition rights or non-controlling shareholders' equity.

*The investment amount is a sum of tangible fixed assets, intangible fixed assets, securities to be acquired, and any other relevant factors. It varies depending on investment opportunities for mergers and acquisitions.

(Produced by Investment Bridge Co., Ltd. with reference to disclosed material.)

Regarding CAGR for the three terms from the fiscal year ended March 2025, the company forecasts an increase of 13% for sales and an increase of 25% for operating income. Despite negative growth in 2023, the semiconductor market has recovered by 2024 and is projected to grow 11% year on year in 2025 (as announced by WSTS). It is assumed that it could reach a scale of 1 trillion dollars by 2030 (presuming an annual growth rate of 7.5%). The market scale is projected to grow 1.7 times from 2024. The Wafer Fab Equipment (WFE), the growth of which has been flat recently due to a decrease in export to China, is also projected to get on a growth track after bottoming out in 2025 (company's assumption).

Taking such external environment into account, the company intends to keep expanding their business and pursuing growth. They are planning to focus especially on capturing semiconductor-related needs in China while enhancing production outside China, such as in Malaysia, to address needs for manufacturing outside China brought about by the friction between the U.S. and China. Raising the return rate by boosting production and elevating efficiency at the two plants in Malaysia (Kulim and Johor) is likely to become an important point of the medium-term management plan.

The Kulim Plant, completed in January 2024, achieved profitability in terms of monthly profit and loss in the first quarter of 2025, also owing to the steady progress in client certification. The company intends to further work on boosting production and elevating efficiency, forecasting a possible raise from the current production capacity of 15 billion yen to the maximum production capacity of 19 billion yen. They have also decided to construct a second plant as they received requests for enhancing production from clients in the U.S., etc. as a result of the friction concerning semiconductors between the U.S. and China. The second plant is expected to start operation between 2026 and 2027, and reach the maximum production capacity of 24 billion yen. Regarding Johor Plant, which will produce power semiconductor substrates, the company started to install equipment in the fourth quarter of 2024, and started trial production in January 2025 (first shipment in March of the same year).

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First plant in Kulim, Malaysia



Expected completion image and bird's-eye view of the second plant in Kulim, Malaysia



Johor plant, Malaysia

(Excerpt from the company's materials)

4-3 Results and Targets by Category

(million yen)	FY 3/25 (Act.)	FY 3/26 (Est.)	FY 3/27 (Est.)	FY 3/28 (Est.)
Quartz products	31,930	31,930	40,000	51,000
Ceramics	33,155	39,142	41,000	45,000
CVD-SiC	8,192	8,162	12,500	16,000
Silicon parts	13,687	12,968	17,000	20,000
Thermo-electric modules	33,638	36,293	44,500	50,700
Power semiconductors	37,403	39,672	50,500	63,000

(Produced by Investment Bridge Co., Ltd. with reference to disclosed material.)

<Quartz>

Although the impact of remaining inventory of clients in Europe and the U.S. will linger in 2025, demand is assumed to recover from the second half of the fiscal year. Presuming an expansion of demand in the medium term, the company is planning to invest in the second plant in Kulim, Malaysia. Regarding the growing demand in China, the company is likely to cover it with production capacity within China.

<Ceramics>

Demand remains healthy. Projecting an expansion in demand from clients in Europe and the U.S. in the medium term, like in the case of quartz, the company will work on upgrading equipment at the second plant in Kulim, Malaysia.

<CVD-SiC>

While growth is assumed to remain flat in the fiscal year ending March 2026, the company expects a trend of growth in sales in the medium term as a result of capturing demand in step with boosting production capacity at plants.

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<Silicon parts>

Sales are forecast to decrease in the fiscal year ending March 2026 due to the impact of inventory of users. Expansion in demand is presumed in the medium term amid the backdrop of needs for production outside China by clients in Europe and the U.S. The company established a plant in Johor, Malaysia, to meet these needs, and plans to launch production in the second half of 2025.

<Thermo-electric modules>

The company presumes that growth can be maintained by capitalizing on AI-related demand in the medium term. They will also aim to expand the chiller business.

<Power semiconductors>

As the power semiconductor market has entered the phase of demand adjustment, sales growth rate will be sluggish for a short while, but the market share is forecast to grow. An expansion in demand is projected in the medium term, and the company is working on the reinforcement of production to meet this demand. They are also focusing on the enhancement of their business foundation through the expansion of the product range of DPC, etc., insourcing of materials, and automatization.

4.4 Details of major plants newly established and increases in principal manufacturing capacities

Business	Location	2025	2026	2027	2028	2029	Current production capacity (100 million yen)	Expected maximum production capacity (100 million yen)
Power semiconductor substrates	Dongtai and Neijiang, China	Mass production → Full-scale operation					570	600
Power semiconductor substrates	Malaysia	Start of operation	Mass production	Full-scale operation			70	130
Ceramics	Ishikawa, Japan	Start of operation	Mass production	Full-scale operation			100	140
Ceramics Silicon parts	Changshan, China	Start of operation	Mass production	Full-scale operation			100	170
Metal processing, quartz, ceramics	Malaysia	Start of operation	Mass production	Full-scale operation			180	530
Parts cleaning	Kumamoto, Japan	Start of operation	Small-lot production	Full-scale operation			0	20

(From the company's materials)

◎ Long-term goals

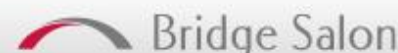
The company has not revised its numerical goals set in the long-term vision, that is, sales of 500 billion yen and a net income of 50 billion yen in fiscal year ending March 2031.

5. Measures for Achieving Management Conscious of Capital Costs and Stock Price

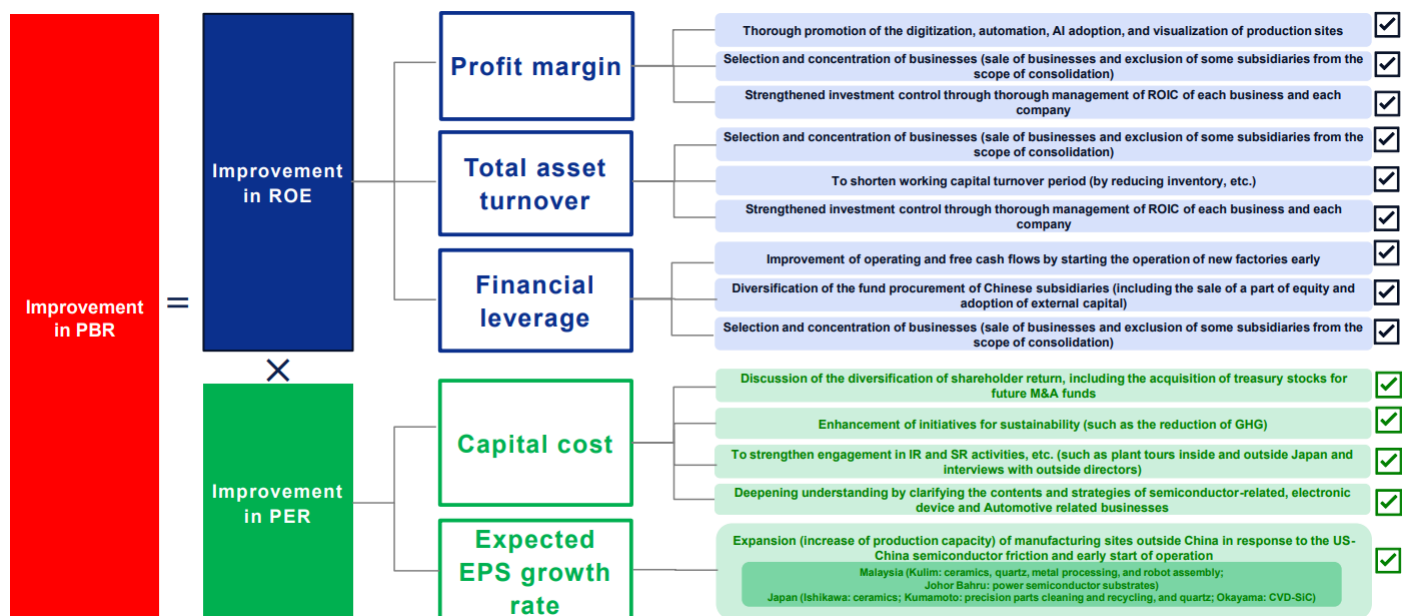
On July 31, 2024, the company disclosed its initiative on "Measures for Achieving Management Conscious of Capital Costs and Stock Price." The gist of the medium-term management plan, which was disclosed this time, remains unchanged, except the change in the shareholder return policy from "focusing on a payout ratio of 20-30%" to "3.5% for the lower limit of DOE and 50% for total return ratio." Key points are as follows.

The company has defined its shareholder equity cost at 8.62% for FY 3/24, calculated using the Capital Asset Pricing Model (CAPM). The assumptions for this calculation include a risk-free rate of 1.735% (20-year government bond yield), a β of 1.043 (for the semiconductor manufacturing equipment industry), and an equity risk premium of 6.60%. The company's ROE for FY 3/24 was 7.8%, falling below its shareholder equity cost, which is considered as the primary reason for its PBR (Price-to-Book Ratio) remaining below 1. Recognizing the urgent need to enhance profitability above its shareholder equity cost, the company has set a target of achieving an ROE of 15%. To reach this goal, it plans to drive business and profit growth, strengthen profitability, implement effective ROIC

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management, focus on business selection and concentration to improve total asset turnover, and optimize financial leverage. Additionally, the company aims to improve its PER (Price-to-Earnings Ratio) through enhanced shareholder return policies and the further strengthening of non-financial strategies. The specific initiatives to achieve these goals are outlined below.



(From the company's materials)

As achieving the medium-term management plan is essential to meeting these targets, the company has also announced a transition to a performance-linked compensation system, which strengthens both short-term and medium-to-long-term incentives, further aligning executive remuneration with business performance.

6. Conclusions

It is difficult to expect top-line growth in the short term as the impact of user inventory will persist for a while, while there are tariff policies instituted by the Trump administration in the U.S. and geopolitical risks are growing. However, growth is projected in all business domains in the medium term amid the backdrop of an increase in investment in generative AI servers and the expansion of the EV market. The company is forging ahead with investment in facilities, presuming such market expansion in the medium term. If the market clearly expands in the second half of 2025 as expected, the top-line growth is likely to accelerate again, supported by the abundant production capacity. Naturally, as a delay in the timing of recovery would increase the burden of investment, the risk of revenue imbalance should be kept in mind.

We would like to refocus on the fact that the company further clarified their approach to management conscious of capital costs and stock price in July 2024. Regarding shareholder return, the company states the target of 50% for total return ratio, setting the lower limit for DOE at 3.5%. While it is quite difficult to place a higher valuation, given the hardly foreseeable impact of policies instituted by the Trump administration and the cyclical nature of the market, we would like to properly recognize the increased feasibility of stable growth as a result of upfront investments.

<Reference: Regarding Corporate Governance>

◎ Organization type, and the composition of directors and auditors

Organization type	Company with auditors
Directors	9 directors, including outside ones 3
Auditors	3 auditors, including outside ones 2

© Corporate Governance Report (Updated on August 6, 2024)**Basic policy**

While pursuing our corporate principles: “Strong commitment to our customers,” “Excellence in engineering precision solutions,” and “Delivering superior quality, value and service,” our corporate group has drawn up a code of conduct as follows: From a global perspective, Ferrotec always operates in harmony with the international community and acts in good faith with unwavering corporate ethics and social decency, as well as in compliance with the laws of each country as a company that provides products and services that contribute to everyday life of the people all over the world who are related to us; Ferrotec earns customer trust and satisfies our customers by proposing high-quality products and services and providing cost-competitive products and services mainly in the new energy and electronics industries; Considering proactive eco-friendly activities to be one of our high-profile business issues, Ferrotec contributes to solving global environmental problems by adapting ourselves to the requirements of the latest environmental regulations one by one and developing materials and products that can be used in the new energy industry; and Ferrotec contributes to society through manufacturing based on our core technology, continues to be a company whose stakeholders, including customers, shareholders, employees, business partners, and local communities, are looking forward to seeing it grow, and engages in business activities based on social decency, such as laws, social order, and international rules.

Our company not only proactively promotes environmental preservation activities and our corporate group’s governance pursuant to the aforementioned corporate principles and code of conduct, but also strives to continue being a company whose stakeholders look forward to its growth. We have also formulated a quality philosophy saying that we focus on developing new materials and production technologies, such as semiconductor materials, and pursue customer satisfaction improvement by giving top priority to quality, and are moving forward with automation, digitalization, and standardization of our production processes. Our basic business policies are to increase our share in the global market and form a corporate group with a stable profit structure.

Based on the above corporate principles, code of conduct, and basic management policy, the company considers that it is important to improve its corporate value, emphasize the soundness of its business administration to become an enterprise that will be trusted and supported by stakeholders, including shareholders, customers, business partners, and local communities, and also establish a managerial system responding the rapid changes to the business environment swiftly and accurately.

<Main Reasons for Non-compliance with the Principles of the Corporate Governance Code>

<Supplementary Principle 1-1-1: Analysis of Reasons Behind a Considerable Number of Opposing Votes at a General Shareholders’ Meeting> While our company has not set the criterion for a “considerable number” in case a considerable number of opposing votes was cast at a general shareholders’ meeting, we shall consider defining the criterion from now on. In case a considerable number of opposing votes was cast, we shall swiftly analyze the reasons behind the opposition and the cause for the increase of opposing votes and present our view of the issue, such as making a press release of the analysis results.

<Supplementary Principle 1-2-3: Appropriate Setting of Dates for General Shareholders’ Meetings and Associated Events> Viewing constructive dialogue with all shareholders as important, we endeavor to disclose and send notices of convocation of general shareholders’ meetings at an early point and organize these meetings to avoid holding them on the same days as such meetings held by other companies. However, as a result of taking into account the dates for producing statutory documents, the fact that we wish to proceed with administrative work for the settlement of accounts while securing sufficient time for a high-quality audit, the period for convocation procedures and the venue’s availability, the latest four meetings were inevitably held on days on which such meetings are usually held. We shall keep considering dates for these meetings to avoid holding them on the same days as such meetings held by other companies while taking into consideration the aforementioned points.

<Principle 1-7: Transactions Among Parties Concerned> In case our company is to engage in transactions among parties concerned, deliberation and resolution by the Board of Directors in accordance with the Board of Directors regulations and authority rules in addition to laws and regulations are deemed necessary, and directors with interests in the relevant transaction may not participate in passing the resolution. Transactions among parties concerned are based on the same conditions as transactions among companies with no capital ties, and we make sure that these transactions are not detrimental to the interests of minority shareholders in terms of their propriety. Every transaction among concerned parties is explained in writing at a Board of Directors’ meeting before the transaction is performed,

entailing the amount of the transaction, the propriety and reasonableness of transaction conditions and pros and cons of engaging in the transaction. Only transactions judged to be appropriate following a discussion are approved. Moreover, in case of long-term contracts, continuous transactions, etc., we make sure to pass a resolution by the Board of Directors concerning the amount of the transaction, the propriety and reasonableness of transaction conditions and pros and cons of engaging in the transaction at least once a year. On the other hand, as the in-house rules do not clearly mention a prompt report to the Board of Directors after the relevant transaction, the post-transaction report is forgotten at times. We shall revise the in-house rules or formulate new management rules that clearly state not only approval before the transaction is performed, but also the obligation of a post-transaction report, and work on spreading this knowledge, striving to implement reasonable procedures concerning transactions among concerned parties free of any omission.

<Supplementary Principle 2-4-1: Ensuring diversity in promotion to core human resources>

As a basic policy for human capital, the group operates under two major policies regarding organizations and human resources. The first is to create a company and organization, in which each employee, regardless of their attributes, can act autonomously and with ambition and have a sense of fulfillment in their work. The second is to localize management, make decisions quickly, and manage the business and the organization according to the characteristics of each region. While our business is expanding on a global basis, our corporate group drastically strengthens our human resources and organization and proactively employs women, foreign nationals, and mid-career workers with extensive skills and experience to raise our corporate value in the medium/long term. In addition, we actively promote women, foreign nationals, and mid-career hires to managerial positions by comprehensively considering and evaluating such factors as their skills and valuable experience cultivated in companies outside of our corporate group. We, however, have not disclosed our medium- and long-term policies on promoting women, foreign nationals, and mid-career hires to managerial positions and ensuring diversity, policies on human resources development, policies on internal environment development, and our progress and achievement in this regard. In the future, in order to contribute to the medium/long-term enhancement of corporate value in line with the expansion of the global corporate scale, the company will proactively have discussions to set policies for personnel development and the internal environment and disclose the progress of them, under its basic policy on human capital.

<Supplementary Principle 3-1-3: Disclosure of initiatives on sustainability and business strategies, such as investment in human capital and intellectual property> Following our corporate principles: “Strong commitment to our customers, excellence in engineering precision solutions, and delivering superior quality, value and service,” our company has framed a basic policy on materiality and sustainability in 2021 because we consider ESG (Environment, Social, and Governance) to be extremely important for medium- and long-term improvement of our corporate value. We will build an organizational structure, enlighten our employees, and set quantitative goals for promoting ESG. Regarding investment in human capital and intellectual property, our Japanese subsidiaries proactively promote young employees to the position of executive officer and flatten their organizations. Meanwhile, our Chinese subsidiaries actively invest in intellectual property by, as necessary, founding research institutes related to semiconductors, employ a greater number of human resources who have degrees equivalent to doctor’s degrees, and granting their employees awards and rewards for superb patent applications. We will monitor quantitative goals that we set and announce our progress with them via our website, IR material, and other means.

<Supplementary Principle 4-12-1: Stimulation of Deliberation at Board of Directors’ Meetings> At our company, materials for the Board of Directors meetings are distributed beforehand (two days before the meeting) by e-mail, etc., and a preliminary briefing is held on the day before or on the day of the meeting. Matters to be reported or brought up for discussion to the Board of Directors are presented at the Executive Officers’ meeting (held at the end of every month), which functions as a management meeting, and shared with participating directors and auditors. A report of the Executive Officers’ meeting is distributed to directors and auditors who did not attend this meeting. Regarding the schedule of Board of Directors’ meetings, Executive Officer meetings, etc., we distribute a meeting calendar every year, scheduling the Board of Directors’ meeting on financial results, etc. beforehand. As a truly substantial number of items is raised for deliberation, directors including external directors are requesting us to secure a preparation period for the deliberation by distributing materials for the Board of Directors’ meetings earlier than two days before the meeting and revise the scope of items brought up for a resolution or report. Regarding additional questions concerning the materials for passing a resolution, the awareness and system for reporting at our company, including the swift collection of information by the responsible person in each department, have been acknowledged by external directors. Resolutions in writing in accordance with Article 370 of the Companies Act are performed as required. As it has been pointed out that the time for deliberating on each matter is insufficient, we recognize it as a challenge that calls for improvement.

<Supplementary Principle 4-14-2: Policy Concerning the Training of Directors and Auditors> Our basic policy lies in explaining the general role and duties of directors and auditors as well as the details of our business, financial affairs, organization, etc. to directors and auditors when they are appointed. Furthermore, we arrange their attendance at important meetings, such as the Executive Officers' meetings, management strategy meetings and global meetings, as well as inspections of manufacturing sites to deepen their understanding of our company. Moreover, directors and auditors respectively attend external seminars in addition to the training in accordance with our basic policy. From now on, we shall stipulate the policy on this training for directors and auditors and disclose it on our website, etc.

<Main Disclosure Based on the Principles of the Corporate Governance Code>

<Principle 1-1: Securing the Rights of Shareholders> While making sure that the rights of shareholders, such as the voting right at general shareholders' meetings, are rightly secured, we arrange the system for fulfilling the role and duties concerning corporate governance. Moreover, we are sufficiently considerate in order to secure the equality of rights of minority shareholders, such as organizing briefing sessions after general shareholders' meetings and securing opportunities and points of contact for dialogue, for example, individual phone calls handled by the IR and PR department.

<Principle 1-3: Basic Policy for Capital Strategy> [Basic philosophy] We believe that sustainable growth is necessary for elevating our stock value in the medium to long term. In order to achieve it, we aim to elevate profitability and maximize our capability to generate cash, which will lead to the maximization of stock value, while thoroughly pursuing business and profit growth. Moreover, we make it a policy to strive for enriching shareholder return while securing the balance between investments toward growth in the medium to long term, and capital efficiency and financial soundness.

<Principle 1-4, Supplementary Principle 1-4-1, Supplementary Principle 1-4-2: Strategically Held Shares> We define and operate the policy regarding strategically held shares and the criteria for exercising the voting rights stemming from strategically held shares as follows.

1. Our policy regarding strategic shareholding

Our basic policy lies in holding no shares strategically. However, we hold the shares of other companies only in cases where we judged that it is highly reasonable to hold the relevant shares in terms of the relationship with the issuing company, such as shares of our business partners. The president's office regularly inspects the reasonableness of holding these shares and presents the findings to the Board of Directors. Regarding the concrete inspection method, the Board of Directors inspects whether the objective for holding the shares is appropriate or not, whether the benefits and risks stemming from holding the shares correspond with the capital cost, etc., and forges ahead with reducing strategically held shares based on the inspection results. On a Board of Directors' meeting held in June 2024, we decided to conditionally hold the shares of one company and keep holding the shares of five companies as a result of a careful examination.

2. Our criteria for exercising the voting rights stemming from strategically held shares

With regard to exercising voting rights, we respect the judgment of the Board of Directors of the company that issued the relevant shares as a general rule, and make affirmative judgments in voting unless the matter in question negatively impacts the relationship and transactions with our corporate group, or it can be surmised that it will clearly degrade common interests of shareholders.

3. Response to strategically held shares of our company

Apart from the aforementioned, in case a company that strategically holds our shares expresses the intention to sell these shares, we respond appropriately to the sale, etc., without making any obstructions to the sale, such as implying a reduction in transactions.

<Principle 1-5: The So-Called Anti-Takeover Measures> We have not adopted any so-called anti-takeover measures at our company. In case our shares are offered in a takeover bid, our Board of Directors carefully examines its objective and content, and announces our company's opinion. In case the Board of Directors judges that it is necessary from the viewpoint of maintaining and elevating corporate value, we suggest appropriate measures while taking care so as not to unjustly hinder the right of the shareholder to accept the takeover bid.

<Principle 1-6: Capital Policy that May Harm Shareholder Interests> With regard to drafting and implementing the capital policy, our Board of Directors passes the resolution following a sufficient consideration of the necessity and reasonableness so as not to unjustly

harm existing shareholders.

<Principle 2-1: Formulation of Management Philosophy as the Foundation for Elevating Corporate Value in the Medium to Long Term> We engage in business activities in accordance with the three pillars of our management philosophy, which are “being trusted by customers and gaining their satisfaction,” “contributing to resolving global climate issues” and “contributing to the society through craftsmanship,” in order to pursue harmony between the global society and local societies from a global standpoint and act in a sincere way as a company offering products and services that can contribute to the lives of all kinds of people.

<Principle 2-2: Formulation and Implementation of Regulations for Corporate Conduct> In order to realize our management philosophy, we have expressed our values as a company and defined the following code of conduct as regulations to be complied with by the company members.

1. “As a company that constantly pursues harmony with the global society and offers products and services that can contribute to the lives of people in local societies and other worlds that are relevant to us, we shall not only adhere to the laws and regulations of each country, but also act earnestly in accordance with firm corporate ethics and social common sense.”
2. “We uphold being trusted by our customers and gaining their satisfaction by proposing high-quality products and services mainly in the new energy industry and electronics industry, and offering cost-competitive products and services.”
3. “We view the proactive promotion of activities considerate toward global climate as an important challenge in terms of management and will gradually adapt to the latest demand for environmental restrictions. Moreover, we uphold the development of materials and products that can be used in the new energy industry, contributing to resolving global climate issues.”
4. “We will contribute to the society through craftsmanship utilizing core technologies and keep being a company whose growth can be anticipated by stakeholders such as our clients, shareholders, employees, business partners and local communities. Furthermore, we will follow social common sense, complying with laws and regulations, social order and global rules in our corporate activities.”

<Principle 2-3: Issues related to sustainability, mainly social and environmental issues> The semiconductor manufacturing process has a significant environmental load, and solving this is a challenge for the entire industry. The company sells products such as thermoelectric modules, which are CFC-free temperature control devices, and power semiconductor substrates and ferrofluids that effectively reduce power consumption. The company also relies on clean energy, using solar panels in power generation at our plants in Japan and China. Thus, our business activities contribute to reducing greenhouse gases, leading to environmental pollution reduction. In March 2023, the “Sustainability Committee” was established as a committee under the Company’s Board of Executive Officers to check the status of sustainability initiatives, review and deliberate on them, and report to the Board of Directors and other relevant bodies when necessary, in order to examine and promote sustainability on a company-wide basis. The number of university students in financial distress is increasing due to the COVID-19 crisis. Therefore, the company supports the Akira Yamamura Scholarship Foundation, which provides scholarships to engineering students to develop talented human resources who can contribute to society in the future.

<Principle 2-4: Ensuring diversity, including active participation of women> Believing that working with employees who have different experiences and senses of values within a company is an advantage in ensuring sustainable business growth especially when companies operate globally like our company, we endeavor to ensure diversity, including active participation of women, based on our policy of entrusting each of our local subsidiaries with management of their own companies.

<Principle 2-5, Supplementary Principle 2-5-1: Whistleblowing> We have arranged the whistleblowing system, clearly stating that whistleblowing will not be met with any unfavorable treatment. We have posted a notice concerning whistleblowing on our in-house intranet with the objective of understanding and spreading the knowledge of the whistleblowing system. Furthermore, we have set up a consultation desk inside and outside the company and respond accordingly in compliance with the whistleblowing system.

<Principle 2-6: Fulfilling the Function as the Asset Owner of Corporate Pension> Corporate pension is operated by the corporate pension fund (hereinafter referred to as the “Corporate Pension Fund”). We have confirmed that the Corporate Pension Fund fulfils the function as the asset owner of corporate pension. The Corporate Pension Fund has confirmed that all domestic institutions responsible for stock management have accepted the Stewardship Code. Furthermore, it monitors institutions responsible for management in terms of constructive dialogue with investees and the situation concerning the exercising of voting rights, and also confirms concrete cases of Stewardship activities at this point. Moreover, it checks the accuracy and transparency of information provided by the corporate pension

consultant, etc. Conflicts of interest are appropriately managed by concluding a contract for entrusting the selection of individual investees and the exercise of voting rights to an institution responsible for management.

<Principle 3-1: Enrichment of information disclosure>

(i) Our company's corporate principles, medium-term business plans, corporate governance, and ESG/SDGs

In addition to appropriately disclosing information in accordance with relevant laws and regulations, our company discloses on our website information relating to our corporate principles, medium-term business plans, corporate governance, Environment, Social, and Governance (ESG), and Sustainable Development Goals (SDGs) with the aim of ensuring transparency and fairness of our company's decision-making and realizing an effective corporate governance system.

1) Corporate principles: https://www.ferrotec.co.jp/company/company_philosophy.php

2) Medium-term business plans: https://www.ferrotec.co.jp/ir/ir_ml_plans.php

3) Corporate governance: https://www.ferrotec.co.jp/esg/esg_governance.php

4) ESG/SDGs: <https://www.ferrotec.co.jp/esg/>

(ii) Basic views and basic policies on corporate governance

Our company's views and policies on corporate governance are as described in "1. Basic views on corporate governance, capital structure, corporate attributes, and other basic information" of this report.

(iii) Policies and procedures followed by the Board of Directors when determining compensation for management executives and directors

1. Basic policies

Our company attaches weight to the following points as the basic policies on compensation paid to the directors of our corporate group:

(1) Directors (excluding outside directors)

- Our company acquires talented human resources who are capable of contributing to fulfillment of our company's mission from inside and outside our company.

- The compensation system shall be one that our company can maintain.

- The compensation system shall be one that motivates directors to attain business targets and raise medium- and long-term corporate value and contributes to sustainable growth of our corporate group.

- The compensation determination process shall be transparent, fair, and rational from the perspective of accountability to all stakeholders including shareholders.

(2) Outside directors

- The compensation system for outside directors shall be appropriate for their roles and duties of supervising our company's business from an independent and objective standpoint.

2. Compensation composition and level

Compensation for the directors who serve concurrently as executive officers (hereinafter referred to as Executive Officers and Directors) consists of basic compensation (fixed compensation) that is determined according to such matters as the title, short-term performance-linked remuneration, and medium- and long-term performance-linked remuneration (hereinafter referred to as share-based remuneration). The ratio of basic compensation and short-term performance-linked remuneration and share-based remuneration is approximately 1:1:1 for the reference amount of compensation paid to the representative director and president (on a consolidated compensation basis), and the ratio for other Executive Officers and Directors is determined according to such factors as the significance of their duties. Our company does not have any system of retirement benefits for offices in place. Compensation for outside directors and Audit & Supervisory Board members shall be comprised only of basic compensation (fixed compensation) with their roles and responsibilities taken into account.

When determining compensation composition and levels, our company shall take into account results of comparison with the market levels by utilizing a variety of information and data, including objective data on compensation market research conducted by outside specialized organizations.

3. Incentive remuneration

Incentive remuneration shall be provided according to such factors as achievements in the indicators defined in medium-term business plans whose basic policies are designed to thoroughly pursue growth and shall consist of short-term performance-linked remuneration and medium- and long-term performance-linked remuneration that is paid through a share-based compensation system including

restricted share units (RSUs) and performance share units (PSUs) in order to strongly encourage directors to execute their duties in accordance with the business principles and business strategies under a compensation system that is linked with such achievements as business results and the corporate value.

4. Compensation governance

Based on a resolution made by the Board of Directors, our company delegates to the representative director and president the responsibility to determine compensation by convening the compensation committee, consulting it, and respecting the opinions given during the consultation pursuant to the provisions set forth in relevant regulations in order to ensure fairness and transparency. The majority of our company's compensation committee are made up by independent outside directors. The compensation committee provides opinions or submits reports to the Board of Directors as necessary by taking into account the latest situation and market trends regarding the environment surrounding compensation for officers, results of compensation comparisons with other companies, and other advice. Furthermore, our company has appointed an outside compensation consulting company (Willis Towers Watson or WTW for short) as our advisor.

5. Compensation for outside directors and others

Compensation paid to our company's outside directors consists only of fixed compensation (basic compensation) in light of their role in supervising our company's business from an objective and independent standpoint. The level of the fixed compensation paid to our outside directors shall be determined in reference to the latest situation and market trends regarding the environment surrounding compensation for outside directors, results of compensation comparisons with other companies, and advice from the outside compensation consulting company while taking into account multifarious factors, including their roles in such committees as the compensation committee and experience that each outside director has gained.

(iv) Policies and procedures followed by the Board of Directors when electing and dismissing the management executives, and nominating candidates for directors and Audit & Supervisory Board members

Our company has defined criteria and a procedure for electing candidates for directors and criteria and a procedure for electing candidates for Audit & Supervisory Board members as follows:

(Criteria and a procedure for electing candidates for directors)

1. Criteria for electing candidates for directors

The Board of Directors must elect candidates for directors only after the nominating committee carefully considers the eligibility of each candidate as a director. Candidates shall be those who are believed to be capable of carrying out the roles and duties provided for in the Companies Act, our company's articles of incorporation, and the regulations of our Board of Directors. Specifically, candidates shall be elected based on comprehensive judgment of such factors as personality, capabilities, and work history with the following points used as criteria:

- 1) Candidates shall be highly motivated to expand, grow, manage, and operate our business through corporate activities
- 2) Candidates shall have convictions and abilities to take action that bring benefits to our corporate group, our shareholders, our employees, and the society.
- 3) Candidates shall have broad perspectives, foresight, decisiveness, and leadership.
- 4) Candidates shall have health conditions that do not prevent them from serving out their terms as directors
- 5) Two or more candidates shall, in principle, be elected as candidates for outside directors. From the perspective of corporate governance, candidates for outside directors shall be elected from those who satisfy the following conditions:
 - ① Candidates shall have experience in managing other companies or organizations and have successively held positions as directors and other equivalent positions as senior executives, or candidates shall have such qualifications for lawyers and accountants.
 - ② Candidates shall have no special interest with the representative director, other directors, or major employees and thus have no issue with ensuring independence.
 - ③ Candidates shall be capable of expressing objective opinions to the representative director and the Board of Directors disinterestedly as outside directors.
 - ④ Candidates shall be capable of supervising execution of duties by the directors.

2. Procedure for electing candidates for directors

Candidates shall, in principle, be elected in accordance with the following procedure:

Candidates shall be identified after the representative director considers the quality and brief personal record of each candidate recommended by the representative director or any of the directors and holds an interview with him or her, and the nominating committee shall deliberate about each candidate. Then, the Board of Directors shall begin deliberations and determine whether to present proposals

to resolve to elect them as candidates for directors at ordinary general meetings of shareholders.

(Criteria and procedure for electing candidates for Audit & Supervisory Board members)

1. Criteria for electing candidates for Audit & Supervisory Board members

Candidates shall be those who are believed to be capable of carrying out the roles and duties specified in the Companies Act, our company's articles of incorporation, the regulations of the Audit & Supervisory Board. Specifically, candidates shall be elected based on comprehensive judgment of such factors as personality, capabilities, and work history with the following points used as criteria:

1) Candidates shall have health conditions that do not prevent them from serving out their terms as audit & supervisory committee members.

2) Independence from the owner of our company and the executive members shall be ensured.

3) Candidates shall satisfy one of the following:

① Candidates shall have thorough knowledge and experience regarding such subjects as accounting and legal affairs relating to company management.

② Candidates shall have thorough knowledge and experience, and any other relevant abilities regarding the business areas specified in our company's articles of incorporation.

③ Candidates shall have thorough knowledge and experience, and any other relevant abilities that allow them to be familiar with administrative work and recognize the importance of business resources.

4) Over half of candidates for Audit & Supervisory Board members shall be elected as candidates for outside Audit & Supervisory Board members, and the candidates shall be elected with the following items, in particular, taken into account regarding their relationships with our company:

① Candidates shall have no issue with ensuring independence while taking into account their relationships with the representative director, other directors, and major employees.

② Candidates shall be those who are expected to be capable of asking the representative director and the Board of Directors unreserved questions and expressing objective audit opinions disinterestedly as outside Audit & Supervisory Board members.

③ Candidates shall be those who are expected to be capable of trying to obtain necessary information, striving to share information with other Audit & Supervisory Board members, and cooperating with other Audit & Supervisory Board members in conducting audits.

2. Procedure for electing candidates for Audit & Supervisory Board members

The Audit & Supervisory Board considers the brief personal record of each candidate recommended by the representative director or any of the Audit & Supervisory Board members, holds an interview with each candidate, deliberates about him or her, determines whether or not to present proposals to resolve to elect them as candidates for an Audit & Supervisory Board member at general meetings of shareholders, and swiftly submit written reports about the results to the representative director.

(v) Explanations for election or dismissal of each management executive, and nomination of each candidate for directors or Audit & Supervisory Board members as determined by the Board of Directors with the criteria and procedures specified in (iv) above taken into account

Reasons for election of each of the directors and the Audit & Supervisory Board members are provided on convocation notices of general meetings of shareholders together with their respective brief personal records. Reasons for election of each of the present directors are provided on our website:

https://www.ferrotec.co.jp/ir/ir_shareholder_related.php

<Principle 3-2: External accounting auditors> The Board of Directors shall receive reports from the external accounting auditor through the department in charge. The corporate auditors and the board of corporate auditors maintain close ties with the external accounting auditor by meeting with them on a regular basis and receiving reports on audit plans in advance. In addition, the internal audit office meets regularly with the external accounting auditor to share information necessary for audits.

<Principle 4-1: Roles and Responsibilities of the Board (1)> The regulations of the Board of Directors stipulate that the Board of Directors shall make decisions on matters stipulated by law or the incorporation, as well as on basic matters concerning the execution of management operations and supervise the execution of those operations.

<Supplementary Principle 4-1-1: Scope of Delegation to Management> Our company stipulates matters requiring resolutions by the Board of Directors in accordance with laws, regulations, the articles of incorporation, and the rules of the Board of Directors. Matters

related to the general meeting of shareholders, financial statements, directors and executive officers, stock-related matters, planning matters, personnel and general affairs, sales-related matters, decisions on internal control systems, and matters related to affiliated companies are determined by resolution of the Board of Directors. In addition, our company has adopted an executive officer system, whereby the Board of Directors resolves the duties of executive directors, and under the direction of the president and representative director, they perform their duties in accordance with the authority stipulated in the regulations on the division of duties and administrative authority to enable prompt decision-making.

<Principle 4-2: Roles and Responsibilities of the Board (2)> Our company's regulations of the Board of Directors stipulate that meetings of the Board of Directors should be held once a month and extraordinary meetings of the Board of Directors shall be held, when necessary, to enable prompt decision-making in response to changes in the business environment.

<Principle 4-3: Roles and Responsibilities of the Board (3)> The president and CEO of our company is to report monthly balance sheets, profit-and-loss statements, and cash flow to the Board of Directors. In addition, the directors are to report to the Board of Directors important facts such as important management matters, competitive transactions, and self-dealings as stipulated in the regulations of the Board of Directors.

<Supplementary Principle 4-3-2: Appointment of the CEO> Our company has established criteria for the appointment and dismissal of a chief executive officer, which stipulate the necessary qualities required of a CEO (integrity, health, leadership, ability to adapt to change, decisiveness, global perspective, and management track record). The Board of Directors recognizes that the decision of the CEO is the most important strategic decision in ensuring the sustainable growth of our company and improving our corporate value over the medium to long term. In order to ensure fairness, appropriateness and management effectiveness in the selection of candidates, we have established a nomination committee, with a majority of independent outside directors, as an advisory committee to the Board of Directors, which selects, deliberates and decides on candidates and reports to the Board of Directors. The Board of Directors will deliberate on the recommendations of the nomination committee and decide on the next CEO.

<Supplementary Principle 4-3-3: Dismissal of the CEO> Our company has established criteria for the appointment and dismissal of the CEO, and the dismissal criteria are set out as cases where it is determined that the CEO's dismissal will impede business operations, such as "performance requirements," "health status," "grounds for disqualification as a director," and "loss of credibility due to misconduct by the CEO." Our company stipulates that such cases should be deliberated at the outside directors' meeting, which is composed of all outside directors and external accounting auditors and submitted to the Board of Directors for deliberation.

<Principle 4-4: Roles and Responsibilities of Corporate Auditors and the Board of Corporate Auditors> Corporate auditors and the board of corporate auditors monitor the state of governance and its operation and audit the execution of duties by directors. Corporate auditors conduct a wide range of reviews of overall management by attending board meetings, meeting with executive officers, reviewing important documents, and striving to share information at monthly board meetings to ensure efficient and effective audits. Full-time corporate auditors attend not only board meetings, but also meetings of the management committee and other important meetings to conduct appropriate audits and provide advice on business execution, thereby striving to improve the quality and soundness of management.

<Principle 4-5: Fiduciary Responsibility of Directors and Corporate Auditors> Directors and corporate auditors fulfill their fiduciary responsibility to shareholders, recognizing that working together with shareholders and other stakeholders and acting in the best interests of society and the common interests of shareholders will enhance our company's corporate value.

<Principle 4-6: Business Execution and Oversight of the Management> In order to ensure the effectiveness of independent and objective supervision by the Board of Directors, our company appoints independent outside directors who are not involved in the execution of business and who maintain a certain distance from the execution of business operations.

<Principle 4-7: Roles and Responsibilities of Independent Outside Directors> Our company appoints independent outside directors based on the understanding that, based on their independence, they will fulfill the functions of supervising execution, providing advice, overseeing conflicts of interest, and reflecting the opinions of minority shareholders and stakeholders.

<Principle 4-8: Effective Use of Independent Outside Directors> Our Board of Directors consists of nine directors, three of whom are outside directors. In order to make the management oversight function of the Board of Directors even clearer and more transparent, we have established our criteria for the appointment of independent directors in accordance with the securities listing regulations of the Tokyo Stock Exchange and have appointed three independent outside directors who meet those requirements: Tatsuo Okada, Akihiko Sakamoto, and Takumi Iso.

<Principle 4-9: Independence Criteria and Qualifications for Independent Outside Directors> Our company has established the criteria for the appointment of independent directors in accordance with the securities listing regulations of the Tokyo Stock Exchange. In addition, from the viewpoint of incorporating the perspectives of diverse stakeholders into the supervision of business activities, we pay attention to diversity in terms of their fields of expertise and gender, by consulting with the nomination committee as appropriate.

<Supplementary Principle 4-10-1: Appropriate involvement and advice from independent outside directors through the establishment of nomination and compensation committees> Currently, independent outside directors do not make up the majority of the Board of Directors, but our company has established a compensation committee and a nomination committee, both of which are composed of a majority of independent outside directors, as advisory committees to the Board of Directors. The committee includes outside directors with knowledge of ESG management, experience in research and development at business corporations, and ample management experience as managers, and they provide appropriate involvement and advice from a wide range of perspectives. The Board of Directors respects the content of this consultation to the maximum extent possible, ensuring transparency and fairness in the remuneration and nomination of directors.

<Supplementary Principle 4-11-1: View on the balance between the knowledge, experience, and skills of the board of directors as a whole, and on diversity and appropriate board size> Our company's Board of Directors believes that a board of directors needs to be composed of directors with diverse perspectives and experience, and diverse and advanced skills for supervision of business execution and important decision-making. It also thinks that our auditors need to possess diversity and superior skills like the directors because they are obliged to attend board meetings and give their opinions as required. With regard to outside executives, we believe that we need outside directors who have voting rights in board meetings, in addition to outside statutory auditors, and it is essential that both the auditors and directors are highly independent so that a double check function, which consists of supervision by the Board of Directors and audits by the auditors, can work properly. Furthermore, we intend to appoint independent outside directors who have management experience at other companies and ensure that their skills are comprehensive by selecting them based on a balance of knowledge, experience, and abilities required by the Board of Directors as a whole. We have posted a skill matrix, a list of such elements as the knowledge, experience, and skills of each of our directors and auditors, on our website:

<https://www.ferrotec.co.jp/esg/sdgs.php>

<Supplementary Principle 4-11-2: Concurrent Positions of Directors> Our company discloses the statuses of important concurrent positions of director candidates and directors annually in the reference documents for the “notice of convocation of the general meeting of shareholders,” business reports, and the annual securities report.

<Supplementary Principle 4-11-3: Evaluation of the Effectiveness of the Board of Directors> To improve the function of the Board of Directors and ultimately increasing corporate value, while receiving advice from an external organization on evaluating the effectiveness of the Board of Directors, we conducted a survey (hereinafter, the “survey for the fiscal year ended March 2024”) by asking all directors and corporate auditors who are members of the Board of Directors to complete a questionnaire regarding the composition, operation and discussion of the Board of Directors, and dialogue with shareholders in January 2024. Anonymity was ensured as their answers were directly sent to the external organization. Based on the report of results summarized by the external organization, the results were analyzed, discussed, and evaluated at the regular Board of Directors meeting in April 2024. The main items in the survey for the fiscal year ended March 2024 are as follows: the structure of the Board of Directors, composition, operation, and discussions of the Board of Directors, monitoring function of the Board of Directors, performance of outside directors, support system and training for directors and auditors, dialogue with shareholders, personal initiatives, operation and overview of the nomination committee and compensation committee. Responses were given in a five-point scale and written in descriptive format. The summary of the evaluation results for the fiscal year ended March 2024 shows that the Board of Directors' operation was generally positive, with regard to the comprehensiveness

and clarity of materials, the board's monitoring function being the supervision and monitoring of the establishment and operation of internal control systems, including those at subsidiaries, and the performance of outside directors being appropriate in making comments and suggestions from a broad perspective. We believe that the effectiveness of the Board of Directors as a whole has been ensured. On the other hand, the results mention ESG, SDGs, sustainability management, and medium to long-term human resource strategies as topics that should be discussed at the Board of Directors, and shared issues for setting up and invigorating discussions at the Board of Directors' meetings. Based on this evaluation of effectiveness, the Board of Directors will continue its efforts to enhance the functions of the Board of Directors in order to improve corporate value over the medium to long term.

<Principle 4-12: Active Board Deliberations> In principle, the Board of Directors meets once a month to deliberate and decide on matters stipulated by the Companies Act and the articles of incorporation, as well as other important matters related to the management of our company. In addition, a management strategy meeting consisting of directors and executive officers is held in conjunction with the schedule of the Board of Directors meetings, where important management matters are reported and actively discussed in order to facilitate communication and information sharing. The General & Legal Affairs Office distributes materials on matters to be discussed at the Board of Directors' meetings to directors and corporate auditors in advance, and a briefing session is held the day before or on the day of the meeting to explain the agenda.

<Principle 4-13: Information Gathering and Support Structure> Our company has established a system in which directors, executive officers, and each corporate auditor can attend board meetings, inspect important documents, and exchange opinions with representative directors of our company and major subsidiaries as appropriate, exchange opinions with representative directors of subsidiaries when conducting audits, and receive information on the status of activities from the people in charge of each department and subsidiary on a regular or as-needed basis. In addition, if any facts occur that may cause significant damage to our company or its subsidiaries or any important facts that violate laws, regulations, or the articles of incorporation, or if such facts are reported, directors, executive officers, and employees, as well as directors, auditors, and employees of subsidiaries, are to promptly report them to the risk management committee, which will then report them appropriately to the Board of Directors.

<Principle 4-14: Training of Directors and Corporate Auditors> Our directors and auditors participate in external seminars and report or communicate the results at the Board of Directors' meetings as appropriate.

<Principle 5-1: Policy for Constructive Dialogue with Shareholders> To achieve sustainable growth and improve corporate value, we will promote constructive dialogue with shareholders, explain our management policies and business conditions in an easy-to-understand manner, and strive to gain the understanding of shareholders.

- Policy for constructive dialogue with shareholders -

1. Overseeing dialogue with shareholders: The director of administration, who is in charge of IR, and the director in charge of businesses in Europe, the U.S. and Asia have been appointed as the management team responsible for overseeing dialogue with shareholders.
2. A system of collaboration among various internal departments to support dialogue with shareholders: The IR/Public Relations Department and the Finance and Accounting Department work together to support dialogue with shareholders.
3. Efforts to improve the means of dialogue other than individual interviews: We utilize various means of communication, including financial results briefings, small meetings, individual investor briefings, business briefings held after the general meeting of shareholders, online meetings, and various printed materials. At financial results briefings and business briefings, the representative director personally gives explanations.
4. Management of insider information during dialogue: We strictly manage information in accordance with our internal information management regulations.

[Actions to achieve management that is conscious of the cost of capital and stock price] [English description available]

We consider return on equity (ROE) and return on invested capital (ROIC) to be important management indicators and have set an ROE of 15% and an ROIC of 8% as one of our management targets (KPIs) for the period of our medium-term management plan (FY 3/25 to FY 3/27). The Board of Directors periodically reviews the cost of capital and weighted average cost of capital (WACC) and has calculated the cost of equity capital to be in the mid-8% range and the WACC to be in the upper 7% range for the fiscal year ended March 2024. In contrast, ROE and ROIC for the same consolidated fiscal year were 7.8% and 4.5%, respectively, lower than the cost of capital and WACC, mainly due to a decline in the net income margin attributable to shareholders of the parent company and an increase in tangible

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fixed assets caused by increased expenses associated with recent large capital investments. Therefore, we recognize that our most important management issue at hand is to stably achieve ROE and ROIC that exceed the cost of capital and WACC, respectively. In addition, our price-to-book ratio (PBR) remains below 1, at 0.68 for the fiscal year ended March 2024, and we recognize the importance of improving our ROE and price-earnings ratio (PER). For our current assessment of these management issues and various measures, please refer to “Efforts to achieve management that is conscious of capital costs and stock price,” which was disclosed on July 31, 2024. (Japanese) <https://www.ferrotec.co.jp/php/download.php?f=jp/66b077985a236.pdf> (English) <https://www.ferrotec.co.jp/php/download.php?f=en/66b0929d8d3aa.pdf>

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