Annual Securities Report
(Excerpt)

(The English translation of the "Yukashoken-Houkokusho" (Excerpt)
for the year ended December 31, 2022)

Renesas Electronics Corporation

Contents

[Cover]

【Document Filed】	Annual Securities Report (“Yukashoken Hokokusho”)
【Applicable Law】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
【Filed to】	Director, Kanto Local Finance Bureau
【Filing Date】	March 30, 2023
【Fiscal Year】	21st term (from January 1, 2022 to December 31, 2022)
【Company Name】	Renesas Electronics Kabushiki-kaisha
【Company Name (English) 】	Renesas Electronics Corporation
【Title and Name of Representative】	Hidetoshi Shibata, Representative Director, President and CEO
【Address of Head Office】	3-2-24, Toyosu, Koto-ku, Tokyo
【Phone No.】	03 (6773) 3000 (switchboard)
【Contact Person】	Yukitake Hashiguchi, Director, Corporate Governance Department
【Contact Address】	3-2-24, Toyosu, Koto-ku, Tokyo
【Phone No.】	03 (6773) 3000 (switchboard)
【Contact Person】	Yukitake Hashiguchi, Director, Corporate Governance Department
【Place Where Available for Public Inspection】	Tokyo Stock Exchange, Inc. (2-1 Nihombashi, Kabutocho, Chuo-ku, Tokyo)

Part I. Corporate Information

I. Overview of the Company

1. Main Financial Data

(1) Consolidated Financial Summary

-		International Financial Reporting standards				
		17th fiscal period	18th fiscal period	19th fiscal period	20th fiscal period	21st fiscal period
Fiscal year-end		2018 Dec.	2019 Dec.	2020 Dec.	2021 Dec.	2022 Dec.
Revenue	(Millions of yen)	756,503	718,243	715,673	993,908	1,500,853
Income (loss) before income taxes	(Millions of yen)	67,723	(325)	65,216	142,718	362,299
Income (loss) attributable to owners of parent	(Millions of yen)	50,989	(6,317)	45,626	119,536	256,632
Comprehensive income attributable to owners of parent	(Millions of yen)	18,248	(22,108)	(19,239)	284,721	565,573
Equity attributable to owners of parent	(Millions of yen)	598,100	621,455	616,701	1,150,081	1,533,750
Total assets	(Millions of yen)	1,055,235	1,668,148	1,608,985	2,426,301	2,812,272
Equity per share attributable to owners of parent	(Yen)	358.49	363.37	356.08	591.67	853.52
Basic income (loss) per share	(Yen)	30.57	(3.73)	26.54	64.77	137.67
Diluted income (loss) per share	(Yen)	30.50	(3.73)	25.97	63.35	134.85
Ratio of equity attributable to owners of parent	(%)	56.7	37.3	38.3	47.4	54.5
Return on equity attributable to owners of parent	(%)	8.7	(1.0)	7.4	13.5	19.1
Price-earnings ratio	(Times)	16.4	—	40.7	22.0	8.6
Cash flow from operating activities	(Millions of yen)	172,308	201,960	223,889	307,384	479,325
Cash flow from investing activities	(Millions of yen)	(80,872)	(742,162)	(40,163)	△663,126	△97,523
Cash flow from financing activities	(Millions of yen)	(39,251)	500,466	(104,470)	340,915	△294,770
Balance at term end of Cash and cash equivalents	(Millions of yen)	188,820	146,468	219,786	221,924	336,068
Number of Employees	(Persons)	19,546	18,958	18,753	20,962	21,017

(Note) 1. Consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") since the 17th fiscal period.

2. The number of employees does not include the number of employees on leave and temporary employees. This information is omitted because the number of temporary employees is less than 10/100 of the number of employees.
3. Diluted loss per share for the 18th fiscal period is the same as basic loss per share because there are no dilutive potential common shares outstanding.
4. During the 18th fiscal period, warrants issued by the Company were not dilutive and thus were not included in the calculation of diluted loss per share.
5. The accounting policy was changed in the 19th fiscal period, and the consolidated financial statements for the 18th fiscal period reflect the revision of the classification of expenses.
6. In the 21st fiscal period, the Company finalized the provisional accounting treatment for the business combination, and the consolidated financial statements for the 20th fiscal period reflect a significant revision of the allocation of acquisition costs.

		Japanese standards
		17th fiscal period
Fiscal year-end		2018 Dec.
Net sales	(Millions of yen)	757,360
Ordinary income	(Millions of yen)	65,130
Net profit attributable to owners of parent	(Millions of yen)	54,595
Comprehensive income	(Millions of yen)	14,910
Net assets	(Millions of yen)	531,558
Total assets	(Millions of yen)	967,790
Net assets per share	(Yen)	314.08
Net income per share	(Yen)	32.74
Diluted Net Income per share	(Yen)	32.66
Equity Ratio	(%)	54.1
Return on equity	(%)	10.6
Price-earnings ratio	(Times)	15.3
Cash flow from operating activities	(Millions of yen)	164,157
Cash flow from investing activities	(Millions of yen)	(61,339)
Cash flow from financing activities	(Millions of yen)	(50,633)
Balance at term end of Cash and cash equivalents	(Millions of yen)	188,820
Number of Employees	(Persons)	19,546

(Note) 1. Various figures for the 17th fiscal period have not been audited in accordance with the provisions of Article 193-2, Paragraph 1 of the Financial Instruments and Exchange Act.

2. The number of employees does not include the number of employees on leave and temporary employees. This information is omitted because the number of temporary employees is less than 10/100 of the number of employees.

(2) Non-consolidated Business Performance Indicators

		17th fiscal period	18th fiscal period	19th fiscal period	20th fiscal period	21st fiscal period
Fiscal year-end		2018 Dec.	2019 Dec.	2020 Dec.	2021 Dec.	2022 Dec.
Net sales	(Millions of yen)	631,220	554,313	563,908	771,277	1,075,144
Ordinary income	(Millions of yen)	68,864	16,349	52,843	129,862	279,485
Net income	(Millions of yen)	49,216	17,029	47,458	113,928	212,647
Share Capital	(Millions of yen)	10,699	22,213	28,971	147,133	153,209
Number of issued shares	(Thousands of shares)	1,668,385	1,710,277	1,731,899	1,943,806	1,958,454
Net assets	(Millions of yen)	438,896	505,219	566,100	913,301	940,437
Total assets	(Millions of yen)	928,277	1,614,467	1,628,721	2,385,940	2,553,295
Net assets per share	(Yen)	260.07	286.02	317.65	463.03	498.75
Dividends per share (Interim dividends per share)	(Yen) (Yen)	— (—)	— (—)	— (—)	— (—)	— (—)
Net income per share	(Yen)	29.51	10.05	27.60	61.73	114.07
Diluted net income per share	(Yen)	29.44	9.90	27.01	60.38	111.73
Equity Ratio	(%)	46.7	30.3	33.8	37.7	36.5
Return on equity	(%)	11.8	3.7	9.1	15.7	23.2
Price-earnings ratio	(Times)	16.9	74.6	39.1	23.1	10.4
Dividend payout ratio	(%)	—	—	—	—	—
Number of Employees	(People)	5,600	6,252	6,162	6,116	6,133
Total shareholder return (Comparison index : TOPIX including dividends)	(%) (%)	38.1 (84.0)	57.1 (99.2)	82.2 (106.6)	108.4 (120.2)	90.1 (117.2)
Highest stock price	(Yen)	1,427	793	1,112	1,577	1,561
Lowest stock price	(Yen)	438	450	317	1,042	1,145

(Note) 1. The dividend payout ratios for the 17th, 18th, 19th , 20th and 21st fiscal periods are not stated because no dividend was paid.
2. The number of employees does not include the number of employees on leave and temporary employees. This information is omitted because the number of temporary employees is less than 10/100 of the number of employees.
3. The accounting policy was changed in the 19th fiscal period, and the financial statements for the 18th fiscal period reflect the revision of the classification of expenses.
4. The highest and lowest share prices are those recorded on the First Section of the Tokyo Stock Exchange.

2. History

On November 1, 2002, NEC Corporation spun off its semiconductor-related research, development, designing, manufacturing, sales, and servicing operations, excluding the general-purpose DRAM business, through a corporate split, and the Company was established as NEC Electronics Corporation, a wholly-owned subsidiary of NEC Corporation. Subsequently, on July 24, 2003, the Company listed its shares on the First Section of the Tokyo Stock Exchange, and on April 1, 2010, it merged with Renesas Technology Corp. and changed its name to Renesas Electronics Corporation.

Developments since the establishment are as follows.

Date	Matters
Nov. 2002	NEC Corporation's semiconductor business, excluding general-purpose DRAM, was spun off through a company split, and NEC Electronics Corporation was established in Kawasaki City, Kanagawa Prefecture, as a wholly-owned subsidiary of NEC Corporation.
Jul. 2003	Listed on First Section of the Tokyo Stock Exchange.
May 2004	Sold the back-end process division of NEC Yamagata Ltd.'s Takahata Plant to Taiwan-based ASE Group.
Jul. 2004	Spun off the prototype division from the Company and established NEC Fabserve Ltd., which mainly provided prototype services.
Oct. 2004	NEC Semiconductors Kyushu Ltd. succeeded the assembly and inspection processes (back-end processes) of NEC Yamaguchi Ltd. and changed its name to NEC Semiconductor Package & Test Solutions Co., Ltd.
Jan. 2005	Started mass production of 300mm wafer production line at NEC Yamagata Ltd.
Oct. 2005	NEC IC Design Beijing succeeded Shougang NEC Electronics's semiconductor development and sales divisions and changed its name to NEC Electronics (China).
Apr. 2006	Merged NEC Compound Semiconductor Devices Ltd. by simple merger method.
Sep. 2006	Established NEC Electronics Korea as a sales base in South Korea.
Sep. 2006	The assembly and inspection (post-process) line of NEC Semiconductors Ireland was closed.
Nov. 2006	Merged NEC Deviceport Ltd. by simple merger method.
Jun. 2007	Transferred the photomask business of NEC Fabserve Ltd. to Dai Nippon Printing Co., Ltd.
Oct. 2007	The assembly and inspection (post-process) line of P.T. NEC Semiconductors Indonesia was closed.
Apr. 2008	NEC Kyushu Ltd. merged with NEC Yamaguchi Ltd. and NEC Semiconductor Package & Test Solutions Co., Ltd., and changed its name to NEC Semiconductors Kyushu Yamaguchi Ltd. NEC Kansai Ltd. merged with NEC Fukui Ltd. and changed its name to NEC Semiconductors Kansai, Ltd. NEC Yamagata, Ltd. changed its name to NEC Semiconductors Yamagata, Ltd.
Apr. 2010	Merged Renesas Technology Corp. and changed the name to Renesas Electronics Corporation. (Note)
Nov. 2010	Acquired the wireless modem business from Nokia Corporation.
Dec. 2010	Transferred mobile multimedia business (including wireless modem business acquired from Nokia Corporation) to Renesas Mobile Corporation by an absorption-type company split.
May. 2011	Transferred Renesas Electronics America's front-end production line (Roseville Plant) to Germany-based Telefanken GmbH.
Feb. 2012	Started operations of Renesas Electronics Brazil Service as a sales support base in Brazil.
Mar. 2012	Transferred the power amplification business of the Company and the business of Renesas East Japan Semiconductor Inc.'s Nagano Device Division to Murata Manufacturing Co., Ltd.
Jul. 2012	Transferred the front-end process line (Tsugaru Plant) of Renesas Northern Japan Semiconductor Inc. to Fuji Electric Co., Ltd.
Jan. 2013	Transferred all shares of Renesas High Components Inc. to Aoi Electronics Co., Ltd.
Jun. 2013	Transferred the assembly and inspection processes (back-end processes) of Renesas Northern Japan Semiconductor Inc., Renesas Kansai Semiconductor Co., Ltd., and Renesas Kyushu Semiconductor Corp. (Hakodate Plant, Fukui Plant, and Kumamoto Plant) and manufacturing support business of Hokkai Electronics Co., Ltd. to J-Device Corporation.
Sep. 2013	Implemented third-party allotment of new shares to Innovation Network Corporation of Japan, Toyota Motor Corporation, Nissan Motor Company, Ltd., Keihin Corporation, DENSO Corporation, Canon Inc., Nikon Corporation, Panasonic Corporation, and Yasukawa Electric Corporation.

Date	Matters
Oct. 2013	Merged Renesas Electronics Sales Co., Ltd. into the Company through a simple merger method. Renesas Micro System Co., Ltd. merged with Renesas Design Corp. and changed its name to Renesas System Design Co., Ltd. Renesas Musashi Engineering Service Co., Ltd. merged with Renesas Kitaitami Engineering Service Co., Ltd. and Renesas Takasaki Engineering Service Co., Ltd. and changed its name to Renesas Engineering Service Co., Ltd. Renesas Northern Japan Semiconductor, Inc. merged with Renesas Eastern Japan Semiconductor, Inc. Transferred all shares of Renesas Mobile Europe and Renesas Mobile India to Broadcom Corporation.
Nov. 2013	Transferred the Company's equities in Shougang NEC Electronics to Shougang Group Corp.
Feb. 2014	Established Renesas Electronics India as a sales base in India.
Mar. 2014	Transferred front-end production lines (Tsuruoka Plant) of Renesas Yamagata Semiconductor Co., Ltd. to Sony Semiconductor Corporation.
Apr. 2014	Regarding the semiconductor front-end manufacturing business, Renesas Kansai Semiconductor Co., Ltd. as the surviving company/successor company, the Company's semiconductor front-end manufacturing business, Renesas Semiconductor Kyushu-Yamaguchi Co., Ltd.'s semiconductor front-end manufacturing business, Renesas Northern Japan Semiconductor Co., Ltd.'s crystal business, Renesas Kofu Semiconductor Co., Ltd., Renesas Naka Semiconductor Co., Ltd., Renesas Semiconductor Engineering Co., Ltd. and Renesas Yamagata Semiconductor Co., Ltd. were consolidated through absorption-type company split and absorption-type merger. The name of Renesas Kansai Semiconductor Co., Ltd. changed to Renesas Semiconductor Manufacturing Co., Ltd. Regarding the semiconductor back-end manufacturing business, Renesas Semiconductor Kyushu Yamaguchi Co. Ltd. as the surviving company/successor company, the Company's semiconductor back-end manufacturing business, Renesas Semiconductor Northern Japan Semiconductor Co., Ltd., Renesas Yanai Semiconductor Co., Ltd., Haguro Electronics Co., Ltd., Hokkai Electronics Co., Ltd., and Renesas Kyushu Semiconductor Co., Ltd. were consolidated through absorption-type company split and absorption-type merger. The name of Renesas Semiconductor Kyushu Yamaguchi Co. Ltd. changed to Renesas Semiconductor Package & Test Solutions Co., Ltd.
Oct. 2014	Merged Renesas Mobile Corporation through a simple merger method. Transferred all shares of Renesas SP Driver Inc. held by the Company to a European subsidiary of U.S-based Synaptics Incorporated.
Apr. 2015	Transferred the Company's device solution development function to Renesas Solutions Corp. through a simple absorption-type company split. Transferred the development support function of the Company to Renesas Engineering Service Co., Ltd. through a simple absorption-type company split. Renesas Solutions Corp.'s kits, platforms, and field solutions, as well as sales expansion infrastructure and other development functions were transferred to the Company through a simple absorption-type company split. Renesas Solutions Corp. merged with Renesas System Design Co., Ltd. and changed its name to Renesas System Design Co., Ltd.
Feb. 2016	Transferred part of the Shiga Plant of Renesas Semiconductor Manufacturing Co., Ltd. (8-inch wafer production line) to ROHM Shiga Co., Ltd.
Jun. 2016	Renesas Electronics Singapore as a surviving company merged with Renesas Semiconductor Singapore.
Feb. 2017	Acquired all shares of U.S-based Intersil Corporation ("Intersil"), and turned it into a subsidiary of the Company.
May. 2017	Transferred Renesas Semiconductor Package & Test Solutions Co., Ltd.'s contract development and manufacturing and image recognition system development, manufacturing, and sales businesses to Hitachi Maxell, Ltd.
Jul. 2017	Merged Renesas System Design Co., Ltd. through a simple merger.
Jan. 2018	Intersil as a surviving company merged with Renesas Electronics America and changed its name to Renesas Electronics America.

Date	Matters
Aug. 2018	Sold part of its shares of Renesas Easton Co., Ltd. and excluded it from the Company's equity-method affiliates.
Oct. 2018	Transferred the Kochi Plant of Renesas Semiconductor Manufacturing Co., Ltd. to Marusan Sangyo Co., Ltd.
Jan. 2019	Merged Renesas Semiconductor Package & Test Solutions Co., Ltd. through a simple merger method.
Mar. 2019	Acquired all shares of Integrated Device Technology, Inc. ("IDT") in the U.S. and turned it into a subsidiary of the Company.
Jan. 2020	IDT merged Renesas Electronics America and changed its name to Renesas Electronics America.
Aug. 2021	Acquired all shares of Dialog Semiconductor Plc ("Dialog") in the U.K. and turned it into a subsidiary of the Company.
Dec. 2021	Acquired all shares of Celeno Communications Inc. which is a holding company of Celeno Communications Ltd. ("Celeno") in Israel and turned it into a subsidiary of the Company.
Apr. 2022	Moved to the Tokyo Stock Exchange Prime Market following the reorganization of the Tokyo Stock Exchange's market segmentation.
Jul. 2022	Acquired all shares of Reality Analytics, Inc. ("Realty AI") in the U.S. and turned it into a subsidiary of the Company.
Oct. 2022	Acquired all shares of Steradian Semiconductors Private Limited ("Steradian") in India. and turned it into a subsidiary of the Company.

(Note) As a result of this merger, Renesas Technology Corp.'s affiliated companies have been succeeded, and some of the Group's affiliated companies have been reorganized or changed their names.

3. Business Description

As of December 31, 2022, the Group consisted of the Company and 104 subsidiaries (5 domestic and 99 foreign companies). As a manufacturer specializing in semiconductors, the Group is engaged in research, design, development, manufacture, sales, and services relating to a variety of semiconductors.

The Group's research, design, development, manufacture, sales and service functions are primarily divided among the Company and its subsidiaries. The research, design and development functions are the responsibilities of the Company and other overseas subsidiaries, such as Renesas Electronics America, Renesas Semiconductor Design Beijing, Renesas Design Vietnam, and Renesas Electronics Europe are in charge of research, design and development functions. The manufacturing functions are handled mainly by domestic and overseas production subsidiaries, but we also utilize foundries and other external production subcontractors as needed. The sales and servicing functions are conducted primarily through affiliated distributors in Japan, and primarily through overseas sales subsidiaries, such as Renesas Electronics America, Renesas Electronics Europe and Renesas Electronics Hong Kong, or distributors in overseas.

The Group consists of the “Automotive Business” and the “Industrial/Infrastructure/IoT Business”. Segment information is disclosed based on this classification.

The Automotive Business includes in-vehicle control, which provides semiconductors for controlling automobile engines and bodies, and in-vehicle information, which provides semiconductors for censoring systems, which detect the environment inside and outside of a vehicle; in-vehicle infotainment (IVI) and instrument panels, which transmit various information to the driver, and other in-vehicle information devices. In this segment, the Group mainly provides microcontrollers, SoCs (systems-on-a-chip), analog semiconductors, and power semiconductors.

The Industrial/Infrastructure/IoT Business includes the “Industrial” business, which supports smart society; the “Infrastructure” business and the “IoT” business. In this segment, the Group mainly provides microcontrollers, SoCs and analog semiconductors.

In addition, the Company's design operations and the semiconductor contract development and production carried out by production subsidiaries are classified as "Other."

Consolidated subsidiaries of the Group (104 companies) by major business are as follows.

As of December 31, 2022

Name of Related Segment for Reporting	Major Businesses	Domestic subsidiaries	Foreign subsidiaries
Automotive and Industrial/ Infrastructure /IoT	Sales		(Consolidated subsidiaries) Renesas Electronics China Renesas Electronics Shanghai Renesas Electronics Hong Kong Renesas Electronics Taiwan Renesas Electronics Korea Renesas Electronics Singapore Renesas Electronics Malaysia Renesas Electronics India Renesas Electronics Canada Renesas Electronics Brazil Service Renesas Electronics Europe (U.K.) Renesas Electronics Europe (Germany) Renesas Electronics Israel 5 other companies
	Manufacturing and manufacturing support	(Consolidated subsidiary) Renesas Semiconductor Manufacturing Co., Ltd.	(Consolidated subsidiaries) Renesas Semiconductor Beijing Renesas Semiconductor (Suzhou) Renesas Semiconductor K.L. Renesas Semiconductor Malaysia Renesas Semiconductor (Keda) Renesas Semiconductor Technology (Malaysia)
	Design, development, and application technologies	(Consolidated subsidiary) Renesas Engineering Services Co., Ltd.	(Consolidated subsidiaries) Renesas Semiconductor Design Beijing Renesas Design Vietnam Renesas Semiconductor Design (Malaysia) Renesas Design Bulgaria Renesas Design Zurich Renesas Integrated Circuit Shanghai Renesas Integrated Circuit Chengdu 17 other companies
	Operating Companies and Others	(Consolidated subsidiaries) 3 companies	(Consolidated subsidiaries) Renesas Electronics America Renesas Electronics Germany Renesas Electronics Penang Renesas International Operations (Malaysia) Intersil Luxembourg IDT Bermuda Gig Peak Dialog Celeno 42 other companies

(Note) Part of our overseas sales subsidiaries are also engaged in the business of designing and developing products.

4. Statuses of Affiliated Companies

As of December 31, 2022

Name	Address	Share capital or investments (Millions of yen)	Major Business	Voting rights holding/held ratio (%) (Note 1)	Relationship
(Consolidated subsidiaries) Renesas Semiconductor Manufacturing Co., Ltd. (Note 2)	Hitachinaka-shi, Ibaraki Prefecture	100	Manufacture of semiconductor products (front-end process)	100.0	Manufacture of the Company products Loans-Yes Real estate/equipment leasing-Yes Interlocking directorates -None
Renesas Engineering Services Co., Ltd.	Kodaira-shi, Tokyo	50	Design support for semiconductor products	100.0	Design-related services for the Company products Loans-None Real estate/equipment leasing-Yes Interlocking directorates-None
Renesas Electronics China, Inc.	China Beijing	Thousands of US dollars 38,540	Sales of semiconductor products in China	100.0	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Shanghai	China Shanghai	Thousands of US dollars 7,100	Sales of semiconductor products in China	100.0	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Hong Kong (Note 2) (Note 4)	China Hong Kong	Thousands of Hong Kong dollars 15,000	Sales of semiconductor products in Hong Kong	100.0	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Taiwan	Taiwan Taipei	Thousands of Taiwan dollars 170,800	Sales of semiconductor products in Taiwan	100.0	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Korea	South Korea Seoul	Thousands of won 3,751,885	Sales of semiconductor products in South Korea	100.0	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Singapore	Singapore	Thousands of US dollars 32,287	Sales of semiconductor products in ASEAN, India, Oceania and the Middle East	100.0	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Malaysia	Malaysia Selangor	Thousand ringgits 700	Sales support for semiconductor products in Malaysia	100.0 (100.0) (Note 3)	Sales and Support of The Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics India	India Bangalore	Thousands of Indian Rupee 32,500	Sales of semiconductor products in India	100.0 (99.90) (Note 3)	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics America (Note 2) (Note 4)	United States California	Thousands of US dollars 2,952,449	Design, development, manufacture and sale of semiconductor products in the United States	100.0	Design, development, manufacture, and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Canada	Canada Ontario	Thousands of Canadian dollars 44,560	Development and sales of semiconductor products in Canada	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Brazil Service	Brazil Sao Paulo	—	Sales (technical) support of semiconductor products in Brazil and South America	100.0 (100.0) (Note 3)	Sales and (Technical) Support of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Europe (U.K.)	United Kingdom Buckinghamshire	Thousands of pounds 32,920	Design, development and sales of semiconductor products in Europe	100.0	Design, development, and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Europe (Germany) (Note 2) (Note 4)	Germany Dusseldorf	Thousands of euros 14,000	Design, development and sale of semiconductor products in Europe	100.0	Design, development, and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None

Name	Address	Share capital or investments (Millions of yen)	Major Business	Voting rights holding/held ratio (%) (Note 1)	Relationship
Renesas Semiconductor Beijing	China Beijing	Thousands of US dollars 90,444	Manufacture of semiconductor products (back-end process)	100.0	Manufacture of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Semiconductor (Suzhou)	China Suzhou	Thousands of US dollars 43,226	Manufacture of semiconductor products (back-end process)	100.0 (6.33) (Note 3)	Manufacture of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Semiconductor K. L.	Malaysia Selangor	Thousand ringgits 118,237	Manufacture of semiconductor products (back-end process)	100.0	Manufacture of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Semiconductor Malaysia	Malaysia Penang	Thousand ringgits 84,000	Manufacture of semiconductor products (back-end process)	90.0	Manufacture of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Semiconductor (Keda)	Malaysia Keda	Thousand ringgits 1,000	Manufacture of semiconductor products (back-end process)	100.0 (100.0) (Note 3)	Manufacture of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Semiconductor Technology (Malaysia)	Malaysia Penang	Thousand ringgits 1,000	Manufacture of semiconductor products (back-end process)	100.0 (100.0) (Note 3)	Manufacture of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Semiconductor Design Beijing Co., Ltd.	China Beijing	Thousands of US dollars 7,000	Design and development of semiconductor products	100.0	Design and Development of the Company Products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Design Vietnam	Vietnam Ho Chi Minh City	Thousands of US dollars 10,200	Design and development of semiconductor products	100.0	Design and Development of the Company Products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Semiconductor Design (Malaysia)	Malaysia Penang	Thousand ringgits 1,000	Design and development of semiconductor products	100.0 (100.0) (Note 3)	Design and Development of the Company Products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas International Operations (Note 2)	Malaysia Selangor	Thousand ringgits 426,302	Managing certain contract operations of the Group companies	100.0 (100.0) (Note 3)	Shared services (Group company services) Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Intersil Luxembourg	Luxembourg	Thousands of US dollars 91,585	Holding company	100.0 (100.0) (Note 3)	Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Israel	Israel Tel Aviv/Yafo	Thousands of Israeli shekels 2	Sales of semiconductor products	100.0	Sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Design Bulgaria	Bulgaria Varna	Thousands of Bulgarian Lev 5	Design and development of semiconductor products	100.0 (100.0) (Note 3)	Design and Development of the Company Products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Design Zurich	Switzerland Zurich	Thousands of Swiss francs 100	Design and development of semiconductor products	100.0 (100.0) (Note 3)	Design and Development of the Company Products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Integrated Circuit Shanghai	China Shanghai	Thousands of yuan 4,960	Development and sales of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Integrated Circuit Chengdu	China Chengdu	Thousands of yuan 3,000	Development and sales of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Renesas Electronics Penang (Note 2)	Malaysia Penang	Thousands of US dollars 551,785	Development, manufacture and sale of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None

Name	Address	Share capital or investments (Millions of yen)	Major Business	Voting rights holding/held ratio (%) (Note 1)	Relationship
Renesas Electronics Germany (Note 2)	Germany Dresden	Thousands of euros 15,750	Development, manufacture and sale of semiconductor products	100.0 (100.0) (Note 3)	Development and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
IDT Bermuda (Note 2)	Bermuda	Thousands of US dollars 462,119	Holding company	100.0 (100.0) (Note 3)	Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Gig Peak (Note 2)	United States Delaware	Thousands of US dollars 225,344	Holding company	100.0 (100.0) (Note 3)	Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Dialog (Note 4)	United Kingdom Buckinghamshire	Thousands of US dollars 13,526	Development, manufacture and sale of semiconductor products	100.0	Development and sales of the Company products Loans-None Real estate/equipment leasing-None Interlocking directorates-None
Celeno (Note 2)	United States Delaware	US dollars 1	Holding company	100.0	Loans-Yes Real estate/equipment leasing-None Interlocking directorates-None
67 other consolidated subsidiaries					

(Note) 1. Voting rights holding/held ratio is rounded down to the nearest second decimal place.
2. This is a specified subsidiary.
3. Figures in parentheses in the voting rights holding ratio column indicate shares attributable to indirect ownership.
4. Renesas Electronics Hong Kong, Renesas Electronics America, Renesas Electronics Europe (Germany) and Dialog accounted for more than 10% of consolidated net sales (excluding intercompany sales).

Renesas Electronics Hong Kong	(1) Net sales	180,554 millions of yen
Major Profit and Loss Information	(2) Ordinary income	4,037 millions of yen
	(3) Net Income	3,413 millions of yen
	(4) Net assets	20,747 millions of yen
	(5) Total assets	69,776 millions of yen

Renesas Electronics America	(1) Net sales	390,626 millions of yen
Major Profit and Loss Information	(2) Ordinary income	56,635 millions of yen
	(3) Net income	36,656 millions of yen
	(4) Net assets	778,197 millions of yen
	(5) Total assets	905,854 millions of yen

Figures for Renesas Electronics America are consolidated financial results, including its subsidiaries (39 companies).

Renesas Electronics Europe (Germany)	(1) Net sales	182,139 millions of yen
Major Profit and Loss Information	(2) Ordinary income	2,570 millions of yen
	(3) Net Income	745 millions of yen
	(4) Net assets	15,145 millions of yen
	(5) Total assets	86,940 millions of yen

Dialog	(1) Net sales	208,699 millions of yen
Major Profit and Loss Information	(2) Ordinary income	42,019 millions of yen
	(3) Net income	30,286 millions of yen
	(4) Net assets	152,251 millions of yen
	(5) Total assets	185,471 millions of yen

Figures for Dialog are consolidated financial results, including its subsidiaries (36 companies).

5. Status of Employees

(1) Consolidated Basis

The Group had 21,017 employees as of December 31, 2022.

Segment-specific information is omitted because the majority of the Group's employees are related to both the Automobile Business and the Industrial/Infrastructure/IoT Business.

The number of employees is the number of persons engaged in work (excluding employees seconded from the Group to outside the Group, but including those seconded from outside the Group to the Group). The number of temporary employees is omitted because it is less than 10/100 of the number of employees.

(2) Status of the Filing Company

As of December 31, 2022

Number of employees (persons)	Average age (years old)	Average length of service (years)	Average annual salary (yen)
6,133	47.7	21.0	8,741,592

(Note) 1. The number of employees is the number of persons engaged in work (excluding employees seconded from the Company to external companies but including employees seconded from external companies to the Company).

2. The calculation of the average length of service includes years of service at Hitachi, Ltd., Mitsubishi Electric Corporation, NEC Corporation, and their affiliated companies.

3. The average annual salary amount includes bonuses and non-standard wages.

4. The number of temporary employees is omitted because it is less than 10/100 of the number of employees.

(3) Union Information

As of December 31, 2022, the Company's labor union was Renesas Electronics Labor Union, which belongs to the Japanese Electrical, Electronic & Information Union. The number of union members as of December 31, 2022 was 3,656.

There is nothing particular to report relating to matters with the labor union.

II. Business Conditions

1. Management Policy, Management Environment and Issues to be Addressed etc.

(1) Sales Growth, Appropriate Cost Control, and Optimization of Production Structure

First, in terms of sales of the Group, demand for semiconductors for automobiles, which recovered in the previous fiscal year, continued to be strong, and demand for semiconductors for industrial, infrastructure and IoT field was also strong. In addition, due to the impact of the acquisition of Dialog, which was completed in August 2021, and the rapid depreciation of the yen during this Business Period, our sales increased year-on-year. Further, design-in, which will be a source of future revenue for the Group, exceeded the target for this Business Period by 10% and increased by 32% year-on-year.

In order to achieve further sales growth, the Group will intensively conduct R&D investment in focus areas, and will promote, through M&A, the expansion and enhancement of product portfolios and technologies that the Group does not own at the moment.

The specific focus areas where the Group will intensively invest in R&D include SoCs for AD (Autonomous Driving) and ADAS (Advanced Driver-Assistance Systems), microcontrollers for automotive domain control, IGBT products for xEV, mixed-signal products for ADAS and xEV, microcontrollers/SoCs with Arm cores and RISC-V cores, BMICs (Battery Management ICs), MPUs with built-on DRP-AIs (Dynamically Reconfigurable Processor-AI), and analog mixed signal products for data centers and 5G-related fields.

Meanwhile, with regard to the past acquisitions of the former Intersil, former IDT, Dialog, and Celeno, the Group has strengthened efforts to maximize synergies, including winning combinations. During this Business Period, we acquired Reality AI, which has strengths in highly efficient embedded AI technology, and Steradian, which has advanced radar technology, with the intention of acquiring early-stage products and technologies to keep up with the spectacular evolution of semiconductor technology.

Going forward, we will continue to add to and update the list of acquisition candidates to acquire products, technologies, and solutions that the Group does not own at the moment.

In terms of cost control, first, as a cost synergy associated with the acquisition of Dialog, we have been implementing measures to reduce the cost of sales, SG&A expenses, and R&D expenses since the completion of the acquisition, and it is expected that the target value that we announced at the time of the acquisition will be achieved. In addition, regarding transportation costs, which continue to remain high due to the impact of the spread of COVID-19 and rising labor costs, we will continue to reduce costs by implementing measures to streamline logistics flow and utilizing the Dialog acquisition to build new logistics routes. We will continue striving to stabilize our supply chain by promoting multi-sourcing of raw materials and executing long-term supply contracts with our suppliers.

To improve the efficiency of operations and IT systems, the Group has made strategic investments toward the integration of the Group’s core ERP IT systems and is proceeding with integration in stages. Some functions have started operating in August 2022, and we believe that this will make a major contribution in the medium- to long-term.

In the short term, the Group will steadily implement strategic investment necessary for future sales growth and business efficiencies while continuing to strive to achieve appropriate cost controls.

In terms of production, the utilization rate of the Group’s front-end production factories during this Business Period was 63% for the150mm wafer production line, 93% for the 200mm wafer production line, and 80% for the 300mm wafer production line, an average of 86% for all factories.

In the context of a global supply shortage of semiconductors, the Group will strive to enhance the production facilities at the Group’s factories in order to ensure a stable supply. Specifically, in order to meet demand for power semiconductor devices, which is expected to increase in the future, we aim to restart the Kofu Factory as a 300mm wafer production line with a target start in 2024, and are strengthening facilities at the Naka, Saijo, and Kawashiri factories to meet the demand for microcontrollers for automotive controls as well as analog and power semiconductor devices for data centers. Additionally, in order to strengthen resilience, we will continue to enhance measures such as the introduction of backup power supply equipment and establishment of a die bank.

We will also work to secure and expand production capabilities at our outsourced production partners.

As a result of these aggressive investments, the Group's capital investment for this Business Period was about 14% of revenue, but we will restrict this to about 5% of revenue in the medium- to long-term.

(2) Responding to Geopolitical Issues

The dislocation of supply chains triggered by the trade friction between the United States and China is expected to increase further in the future as this friction grows protracted. This dislocation may have a significant impact on the semiconductor market, and on business opportunities for the Group, both in the short- and medium- to long-term.

In order to respond to the dislocation of each of the supply chains centering on the United States and China, the

Group is promoting the decentralization of design and manufacturing sites and the optimization of resources.

Going forward, we will continue our activities to minimize these geopolitical risks and maximize business opportunities.

(3) Maximizing user experience value

With our purpose of "To Make Our Lives Easier", the Group has promoted improvement of the user experience (UX) to ease customer's product and service development activities. To realize this, the Group has implemented various efforts to enable customers to proceed with product and service development as easily and speedily as possible.

As an example of specific initiatives, the Group has proceeded with expanding "winning combinations" that combine our broad product portfolio and strengthening boards and software solutions which transcend block diagrams. In addition, we have prepared various development environments (integrated development environment, Lab on the Cloud, etc.) that enable customers to proceed with product development online from the early stages of development without waiting for the physical design to be completed. We are also developing Quick Connect IoT, which enables customers to immediately put their products on the market just by adjusting a simple software code.

The Group will continue to expand and strengthen these efforts in order to further maximize the value of the user experience.

(4) Optimization of the supply chain

The Group's supply chain has issues in terms of matching lead time between production and orders, as well as business practices of order confirmation. To address these issues, the Group is currently introducing a new IT system to further speed up decision-making.

In terms of production execution, we are establishing a die bank to further strengthen our ability to respond to fluctuations and the BCP (Business Continuity Plan). Of these, we were able to achieve a certain level of success with products produced within the Group, however, we have not yet established a die bank for products outsourced due to continued tight supply and demand conditions. We will continue to orient appropriate die bank development while carefully checking market trends.

The Group will continue to work on optimizing the supply chain through various measures.

(5) Promotion of ESG initiatives and information disclosure

The Group implemented many initiatives related to ESG and SDGs (Sustainable Development Goals) during this Business Period, and we will continue to promote activities that contribute to the "environment" for the realization of a sustainable society, activities that contribute to "society" such as human resources diversity, employee health and safety, and supply chain management, and activities that contribute to "governance" such as strengthening the functions of the Board of Directors.

In addition, we will further enhance the disclosure of non-financial information related to ESG activities, strive to improve our ESG rating, provide information to various stakeholders surrounding the Group, and aim to further improve our corporate value.

(6) Optimization of talent composition

As of the end of this Business Period, personnel composition of each of the business areas of the Group as of the end of this Business Period was as follows: 44% in Japan, 11% in North America, 11% in Europe, and 34% in Asia Pacific.

The Group will, from a medium- to long-term perspective, work on various personnel measures with the aim of achieving a well-balanced age composition, regional composition, and skillset mix of employees throughout the Group, and increasing the number of employees engaged in important fields such as software and fields that are expected to grow in the future.

The Group has organized a global talent recruitment team, and will implement strategic recruitment activities in each region based on globally consistent policies, and continue to work on optimizing our talent mix as a whole Group while making use of M&A when necessary.

(7) Improving employee engagement and instilling Renesas Culture

The Group provides products and solutions to meet our purpose of "To Make Our Lives Easier". In 2020, the Group developed and launched "Renesas Culture," which consists of five elements: "Transparent, Agile, Global, Innovative, Entrepreneurial" which was shared with the Group organization and employees all over the world as action guidelines to respond to the ever-changing environment swiftly and flexibly.

During this Business Period, the Group took various measures to accelerate the penetration of this Renesas Culture. Going forward, the Group will further employee engagement by integrating this culture into each part of the HR cycle such as hiring, training, and performance evaluations, while also continuing to share Renesas Culture elements to employees.

2. Risk Factors

The Group's operations and financial results are subject to various risks and uncertainties, including those described below, that could significantly affect investors' judgment. In addition, the following statements include matters which might not necessarily fall within the scope of such significant risks but are deemed important for investors' judgment from a standpoint of affirmative disclosure.

Statements regarding the future in the following paragraphs are based on the Group's understanding of the information available as of March 30, 2023.

(1) Market Fluctuations

Semiconductor market fluctuations, which are caused by factors such as economic cycles in each region and shifts in demand of end customers, affect the Group. Although the Group carefully monitors changes in market conditions, it is difficult to completely avoid the impact of market fluctuations due to economic cycles in countries around the world and changes in the demand for end products. Market downturns, therefore, could lead to decline in product demand and increase in production and inventory amounts, as well as lower sales prices. Consequently, market downturns could reduce the Group's sales, as well as lower fab utilization rates, which may in turn result in lower gross margins, ultimately leading to deterioration in profits.

(2) Fluctuations in foreign exchange and interest rates

The Group engages in business activities in all parts of the world and in a wide range of currencies. The Group continues to engage in hedging transactions and other arrangements to minimize exchange rate risks, but it is possible for our consolidated business results and financial condition, including our sales amount in foreign currencies, our materials costs in foreign currencies, our production costs at overseas manufacturing sites, and other items, to be influenced if exchange rates change significantly. Also, the Group's assets, liabilities, income, and costs can change greatly by presenting our assets and debts that are denominated in foreign currencies by converting the amounts in Japanese yen, and these can also change when financial statements in foreign currencies at our overseas subsidiaries are converted to and presented in Japanese yen.

Since expenses as well as asset and debt values associated with the Group's business operation are influenced by fluctuations in interest rates, it is also possible for the Group's businesses, performance, and financial condition to be adversely influenced by these fluctuations.

(3) Natural Disasters

Natural disasters such as earthquakes, tsunamis, typhoons, and floods, accidents such as fires, power outages, and system failures, acts of terror, war, infectious diseases and other unpredictable factors could adversely affect the Group's business operation. In particular, as the Group owns key facilities and equipment in areas where earthquakes occur at a frequency higher than the global average, the effects of earthquakes and other events could damage the Group's facilities and equipment and force a halt to manufacturing and other operations, and such events could consequently cause severe damage to the Group's business. Similar situations may also occur due to other types of natural disasters, accidents such as fires, power outages, and system failures, acts of terror, war, infectious diseases, and other similar events. For example, in March 2021, a fire occurred at some processes of a Group subsidiary's semiconductor manufacturing plant (N3 building (300mm line)), causing the production and shipment of products at the plant to cease temporarily. However, in the future, the Group's business, results of operations and financial condition could be materially adversely affected by, among other things, the burden of costs to restore damaged plant facilities and equipment, a decrease in sales and operating income due to a decrease in plant utilization or stop, and a deterioration in gross margins.

In preparation for these risks, the Group sets and manages the BCP (Business Continuity Plan), which defines preventive plans and contingency plans and others, and also purchase various insurances; however, such plans and insurances may not fully hedge the risks or cover the losses and damages from events that we could not anticipate. Also, the current spread of COVID-19 infections worldwide and the continuing unstable social, economic, fiscal, and working environments have affected the Group's business performance and business activities. The Group puts top priority to ensure the health and safety of employees, customers, and other related parties, and strives to develop a system that allows the Group to continue its business even in the face of various difficulties caused by the pandemic. However, the spread of the COVID-19 pandemic is not a factor the Group can directly control, so development of such countermeasures does not guarantee the Group's business continuity. If the COVID-19 situation becomes more serious or prolonged in the future, the Group's business, results of operations and financial condition may be significantly adversely affected.

(4) Competition

The semiconductor industry is extremely competitive, and the Group is exposed to fierce competition from competitors around the world in areas such as product performance, structure, pricing and quality. In particular, certain competitors have pursued acquisitions, consolidations, and business alliances, and others. in recent years and there is a possibility that such actions will be taken in the future as well. As a result, the competitive environment surrounding the Group may further intensify. To maintain and improve competitiveness, the Group takes various measures including development of leading- edge technologies, standardizing design, cost reduction, and consideration of strategic alliances with third parties or possibility of further acquisitions. In the event that the Group cannot maintain its competitiveness, the Group's market share may decline, which may negatively impact the Group's financial results.

In addition, fierce market competition has subjected the products of the Group to sharp downward pressure on prices, for which measures to improve profitability, such as price negotiations and efforts at cost price reduction, have been unable to fully compensate. This raises the possibility of a worsening of the Group's gross margin. Furthermore, in cases where customers for the Group's products for which the gross margin is low have difficulty switching to other products or require a certain amount of time to secure replacements, it may be difficult for the Group to halt or reduce production in a timely manner. This may result in a reduction in the profitability of the Group.

(5) Implementation of Management Strategies

The Group is implementing a variety of business strategies and structural measures, including the development of a "Mid-Term Growth Strategy" and reforming the organizational structure of the Group, to strengthen the foundations of its profitability. Implementing these business strategies and structural measures requires a certain level of cost and due to changes in economic conditions and the business environment, factors for which the future is uncertain, as well as additional unforeseeable factors, it is possible that some of those reforms may become difficult to carry out and others may not achieve the originally planned results. Furthermore, additional costs, which are higher than originally expected, may arise. Thus, these issues may adversely influence the Group's performance and financial condition.

(6) Business Activities Worldwide

The Group conducts business worldwide, which can be adversely affected by factors such as barriers to long-term relationships with potential customers and local enterprises, restrictions on investment and imports/exports tariffs, fair trade regulations, political, social and economic risk including changes in trade policies, trade barriers and heightened trade conflicts among countries, outbreaks of illness or disease, exchange rate fluctuations, rising wage levels, and transportation delays. As a result, the Group may fail to achieve its initial targets regarding business in overseas markets, which could have a negative impact on the business growth and performance of the Group.

(7) Strategic Alliance and Corporate Acquisition

For business expansion and strengthening of competitiveness, the Group may engage in strategic alliances, including joint investments, and corporate acquisitions. However, in cases where there is a mismatch with the prospective alliance partner or acquisition target in areas of management strategy such as capital procurement, technology management, and product development, or there are financial or other problems affecting the business of the prospective collaboration partner or acquisition target, in addition to the time and expense required for integration of aspects such as business execution, technology, products, personnel, systems and response to antitrust laws and other regulations of the relevant authorities, there is a possibility that the alliance relationship or capital ties will not be sustainable, or in the case of acquisitions for which the anticipated return on investment or profitability cannot be realized. Furthermore, there is a possibility that the anticipated synergies or other advantages cannot be realized due to an inability to retain or secure the main customers or key personnel of the prospective alliance partner or acquisition target. Thus, there is no certainty that an alliance or acquisition will achieve the goals initially anticipated.

(8) Financing

While the Group has been procuring business funds by methods such as borrowing from financial institutions and other sources, and issuance of bonds, in the future it may become necessary to procure additional financing to implement business and investment plans, expand manufacturing capabilities, acquire technologies and services, and repay debts. It is possible that the Group may face limitations on its ability to raise funds due to a variety of reasons, including the fact that the Group may not be able to acquire required financing in a timely manner or may face increasing financing costs due to the worsening business environment in the semiconductor industry, worsening conditions in the financial and stock markets, and changes in the financing policies of lenders. In addition, the Company may also finance acquisitions when conducting acquisitions from financial institutions and other sources. However, regardless of whether or not the Company raises funds by methods such as borrowing from financial institutions and other sources, the Company will bear interest-bearing liabilities by financing for company acquisitions. If the initially expected cash flow generation is not realized, the Group's financial condition will deteriorate, credit ratings may be lowered, which may also increase funding costs or constrain the Group's financing. In addition, some of the borrowing contracts executed between the Group and some financial institutions stipulate articles of financial covenants. If the Group breaches these articles due to reasons such as a deterioration of the Group's financial condition, the Group may lose the benefit of term on the contract, and it may adversely influence the Group's business performance and financial conditions.

(9) Notes on Additional Financing

After implementation of the allocation of new shares to a third party based on a decision at the Meeting of the Board of Directors held on December 10, 2012, we received an offer from the former Innovation Network Corporation of Japan (business name changed to Japan Investment Corporation as of September 25, 2018) that they are willing to provide additional investments or loans with an upper limit of 50 billion yen. However, former Innovation Network Corporation of Japan underwent restructuring, forming a separate subsidiary entity as of September 21, 2018, leading to the new subsidiary, INCJ, Ltd., to take over the contract initially undertaken with the former Innovation Network Corporation of Japan. Currently, no specific details regarding the timing of or conditions associated with these additional investments or loans have been determined, and there is no guarantee that these additional investments or loans will actually be implemented. If investments occur based on this offer, further dilution of existing stock will occur, and this may adversely impact existing shareholders. In addition, if loans are made under this offer, the Group's outstanding interest-bearing liabilities will increase, and this may impose restrictions on some of our business activities. Furthermore, if fluctuations in interest rates occur in the future, the Group's businesses, performance, and financial condition may be adversely affected.

(10) Relationship with Major Shareholder, INCJ

As a result of the allocation of common stock to the former Innovation Network Corporation of Japan and others by way of third-party allotment on September 30, 2013, the former Innovation Network Corporation of Japan now holds a majority share of voting rights held in association with Renesas Electronics' share. From June 2017 onward, the former Innovation Network Corporation of Japan gradually divested itself of its holdings of common stock in the Company, and as of September 21, 2018, formed a separate subsidiary entity. As a result of this restructuring, all shares owned by the former Innovation Network Corporation of Japan were passed on to the new subsidiary, INCJ, Ltd., which is presently the largest shareholder in the Company. Although INCJ, Ltd. has sold some of its shares in the Company, INCJ, Ltd. remains the largest and major shareholder of the Company. Thus, the business operations of the Group are potentially subject to a substantial influence through the exercise by INCJ of its voting rights at General Meetings of Shareholders. In addition, should INCJ at some future date sell all or part of Renesas Electronics' share which is currently held for investment purpose, this could potentially have a substantial effect on the market value of Renesas Electronics' share, depending on factors such as the market climate at the time of the sale.

(11) Rapid Technological Evolutions and Other Issues

The semiconductor market in which the Group does business is characterized by rapid technological changes and rapid evolution of technological standards. Therefore, if the Group is not able to carry out appropriate research and development, the Group's businesses, performance, and financial condition may all be adversely affected by product obsolescence and the existence of competing products in the marketplace.

(12) Product Production

(i) Production Process Risk

Semiconductor products require extremely complex production processes. In an effort to increase yields (defined as the ratio of non-defective products from the materials used), the Group takes steps to properly control production processes and seeks ongoing improvements. However, the emergence of defects in these production processes could lead to lower yields. These defects, in turn, could trigger shipment delays, reductions in shipment volume, or, at worst, the halting of shipments.

(ii) Procurement of Raw Materials, Components, and Production Facilities

The timely procurement of necessary raw materials, components and production facilities is critical to semiconductor production. To avoid supply problems related to these essential raw materials, components and production facilities, the Group works diligently to develop close relationships with multiple suppliers. Some necessary materials, however, are available only from specific suppliers. Consequently, insufficient supply capacity amid tight demand for these materials as well as events including natural disasters, accidents, acts of terror, war, worsening of business conditions, and withdrawal from the business by suppliers could preclude their timely procurement, or may result in sharply higher prices for these essential materials upon procurement. Furthermore, defects in procured raw materials or components could adversely influence the Group's manufacturing operations and additional costs may be incurred by the Group.

(iii) Risks Associated with Outsourced Production

The Group outsources the manufacturing of certain semiconductor products to external foundries (contract manufacturers) and other entities. In doing so, the Group selects its trusted outsourcers, rigorously screened in advance based on their technological capabilities, supply capacity, and other relevant traits; however, there is some possibility of delivery delays, product defects and other production-side risks stemming from outsourcers. In particular, inadequate production capacity among outsourcers or operation shutdown of the outsourcers as a result of a natural disaster, could result in the Group being unable to supply enough products.

(iv) Maintenance of Production Capacity at an Appropriate Level

The semiconductor market is sensitive to fluctuations in the business climate, and it is difficult to predict future product demand accurately. Thus, it is not always possible for the Group to maintain production capacity at an appropriate level that matches product demand. Unanticipated events such as fires, power outages or system failures at manufacturing plants could also significantly reduce the Group's production capacity for a given period of time, In addition, even if the Group engages in capital investment to boost production capacity, there is generally a certain amount of time required before the actual increase in production capacity takes place.

Therefore, if demand for specific products substantially exceeds the Group's production capacity at a certain point and the state of excess demand continues over time, there is a possibility that the Group will be unable to supply customers with the products they desire, that opportunities to sell the products in question will be lost, that the Group will lose market share as customers switch to competing products, and that the relationship of the Group and its customers will suffer.

On the other hand, if in response to a rise in demand for specific products the Group undertakes capital investment with the aim of increasing production capacity, there is no guarantee that demand for the products in question will remain strong once production capacity actually increases and afterward. There is a possibility that actual product demand may turn out to be less than anticipated, in which case it may not be possible to recover the capital investment with the anticipated earnings.

(13) Product Quality

Although the Group makes an effort to improve the quality of semiconductor products, they may contain defects, anomalies or malfunctions that are undetectable at the time of shipment due to increased sophistication of technologies, the diversity of ways in which the Group's products are used by customers and defects in procured raw materials or components. These defects, anomalies or malfunctions could be discovered after the Group products were shipped to customers, resulting in the return or exchange of the Group's products, claims for compensatory damages, or discontinuation of the use of the Group's products, which could negatively impact the profits and operating results of the Group. To prepare for such events, the Group has insurance such as product liability insurance and recall insurance, but it is not guaranteed that the full costs of reimbursements would be covered by these.

(14) Product Sales

(i) Reliance on Key Customers

The Group relies on certain key customers for a significant portion of its product sales to customers. The decision by these key customers to cease adoption of the Group's products, or to dramatically reduce order volumes, could negatively impact the Group's operating results.

(ii) Changes in production plans by customers of custom products

The Group receives orders from customers for the development of specific semiconductor products in some cases. There is the possibility that, after the Group received the orders, the customers decide to postpone or cancel the launch of the end products in which the ordered product is scheduled to be embedded. There is also the possibility that the customers cancel its order if the functions and quality of the product do not meet the customer requirements. Further, the weak sales of end products in which products developed by the Group are embedded may cause customers to reduce their orders, or to postpone delivery dates. Such changes in production plans, order reductions, postponements and other actions from the customers concerning custom products may cause declines in the Group sales and profitability.

(iii) Reliance on Authorized Sales Agents

In Japan and Asia, the Group sells the majority of its products via independent authorized sales agents and relies on certain major authorized sales agents for a significant portion of these sales. The inability of the Group to provide these authorized sales agents with competitive sales incentives or margins, or to secure sales volumes that the authorized sales agents consider appropriate, could result in a decision by such agents to review their sales network of the Group's products, including the reduction of the network, and others., which could cause a downturn in the Group sales.

(15) Securing Human Resources

The Group works hard to secure superior human resources for management, technology development, sales, and other areas when deploying business operations. However, since such superbly talented people are of limited number, there is fierce competition in the hiring of human resources. Under the current conditions, it may not be possible for the Group to secure the talented human resources it requires.

(16) Defined Benefit Obligations

Net defined benefit liability and net defined benefit asset are calculated based on actuarial assumptions, such as discount rates or returns on assets. However, the Group performance and financial condition may be adversely affected either if discrepancies between actuarial assumptions and business performance arise due to changing interest rates or a fall in the stock market and defined benefit obligations increase or our plan assets decrease and there is an increase in the pension funding deficit in the retirement benefit obligations system.

(17) Capital Expenditures and Fixed Cost Ratio

The semiconductor business in which the Group is engaged requires substantial capital investment. The Group undertakes capital investment in an ongoing manner, and this requires it to bear the associated amortization costs. In addition, if there is a decrease in demand due to changes in the market climate and the anticipated scale of sales cannot be achieved, or if excess supply causes product prices to fall, there is a possibility that a portion or the entirety of the capital investment will not be recoverable or will take longer than anticipated to be recovered, and as a result it may have an adverse effect on the business performance and the financial condition of the Group.

Furthermore, the majority of the expenses of the Group are accounted for by fixed costs such as production costs associated with factory maintenance and R&D expenses, in addition to the abovementioned amortization costs accompanying capital investment. Even if there is a decline in sales due to a reduction in orders from the Group's main customers or a drop in product demand, or if the factory operating rate decreases, it may be difficult to reduce fixed costs to compensate. As a result, a relatively small-scale drop in sales can have an adverse effect on the profitability of the Group.

(18) Impairment Loss on Long-term Assets

The Group owns substantial long-term assets, consisting of both property, plant and equipment such as plant facilities and intangible assets such as goodwill obtained through the past acquisition. When there are indications of impairment, the Group examines the possibility of recovering the book value of assets based on the future cash flow to be generated from the assets. It may be necessary to recognize impairment of such assets if insufficient cash flow is generated.

(19) Information Systems

The Group owns substantial long-term assets, consisting of both property, plant and equipment such as plant facilities and intangible assets such as goodwill obtained through the past acquisition. When there are indications of impairment, the Group examines the possibility of recovering the book value of assets based on the future cash flow to be generated from the assets. It may be necessary to recognize impairment of such assets if insufficient cash flow is generated.

(20) Information Management

The Group has in its possession a great deal of confidential information and personal information relating to its business activities. While such confidential information is managed according to law and internal regulations specifically designed for that purpose, there is always the risk that information may leak due to unforeseen circumstances. Should such an event occur, there is a likelihood that leaks of confidential information may result in damages to our competitive position and customer confidence and social trust would deteriorate, resulting in a negative effect on the Group's performance.

(21) Legal Restrictions

The Group is subject to a variety of legal restrictions in the various countries and regions. These include requirements for approval for businesses and investments, antitrust laws and regulations, export restrictions, customs duties and tariffs, accounting standards and taxation, and environment laws. In the future, it is possible that the Group's businesses, performance, and financial condition may be adversely affected by increased costs and restrictions on business activities associated with the strengthening of local laws.

The Group makes use of an internal regulation system to ensure legal compliance and appropriate financial reporting. However, since by its nature an internal regulation system is inherently limited, there is no guarantee that it will accomplish its goals completely. Consequently, the possibility is not nonexistent that legal violations, and others, may occur in the future. Should a violation of the law or other regulations occur, the Group could be subject to administrative penalties such as fines, legal penalties, or claims for compensatory damages, or there could be a negative impact on the social standing of the Group. This could have an adverse effect on the businesses, business performance, and financial condition of the Group.

(22) Environmental Factors

The Group strives to decrease its environmental impact with respect to diversified and complex environmental issues such as global warming, air pollution, industrial waste, tightening of hazardous substance regulation, and soil pollution. There is the possibility that, regardless of whether there is negligence in its pursuit of business activities, the Group could bear legal or social responsibility for environmental problems. Should such an event occur, the burden of expenses for resolution could potentially be high, and the Group could suffer erosion in social trust.

(23) Intellectual Property

While the Group seeks to protect its intellectual property, it may not be adequately protected in certain countries and areas. In addition, there are cases that the Group's products are developed, manufactured and sold by using licenses received from third parties. In such cases, there is the possibility that the Group could not receive necessary licenses from third parties, or the Group could only receive licenses under terms and conditions that are less favorable than before.

With regard to the intellectual property rights related to the Group's products, it is possible that a third party might file a lawsuit against the Group or its customers claiming patent infringement, or the like, and that as a result the manufacture and sale of the affected products might not be possible in certain countries or regions. It is also possible that the Group could be liable for damages to a third party or to a customer of the Group.

(24) Legal Issues

Details are listed under “Note 36. Commitments and Contingencies, (4) Others” in the “V. Accounting Status, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements”.

3. Management’s Discussion and Analysis of Financial Positions, Operating Results and Cash Flows

An overview of the financial positions, operating results and cash flows (the “Operating Result”) as on a consolidated basis of the Group for the current fiscal year (the fiscal year ended December 31, 2022).

Forward-looking statements concerning financial position, operating results and cash flow are prepared using the Group’s judgment as of the end of the current fiscal year.

(1) Significant Accounting Policies and Estimates

The Group’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereafter "IFRS") and in accordance with Article 93 of the “Ordinance on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements”. In preparing these consolidated financial statements, estimates and assumptions deemed necessary are made based on reasonable standards. Significant accounting policies, assumptions for the future and uncertainties involved in the estimates used in the consolidated financial statements are listed under “Note 3. Significant Accounting Policies, Note 4. Significant Accounting Estimates and Judgments” in the “V. Accounting Status, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements”.

(2) Financial Position

(Billions of yen)

	Previous fiscal year end (December 31, 2021)	Current fiscal year end (December 31, 2022)	Increase (Decrease)
Total assets	2,426.3	2,812.3	386.0
Total equity	1,153.4	1,537.5	384.1
Equity attributable to owners of parent	1,150.1	1,533.8	383.7
Equity ratio attributable to owners of parent (%)	47.4	54.5	7.1
Interest-bearing liabilities	831.3	770.0	(61.3)
Debt to Equity ratio	0.72	0.50	(0.22)

Total assets at the end of the current fiscal year were 2,812.3 billion yen, a 386.0 billion yen increase from the end of the previous fiscal year. This was mainly due to an increase in accounts receivable from revenue growth and an increase in goodwill affected by yen depreciation. Total equity was 1,537.5 billion yen, a 384.1 billion yen increase from the end of the previous fiscal year. Despite a decrease resulting from the acquisition of treasury shares, total equity grew mainly due to an increase in other components of equity such as increase in exchange differences on translation of foreign operations following fluctuations in the exchange rate as well as an increase in retained earnings through profit.

Equity attributable to owners of parent increased by 383.7 billion yen from the end of the previous fiscal year, and Equity ratio attributable to owners of parent was 54.5%. In addition, Interest-bearing liabilities decreased by 61.3 billion yen from the end of the previous fiscal year, mainly due to the repayment of borrowings. Consequently, Debt to equity ratio was 0.5.

The allocation of the acquisition costs for the business combinations with Dialog and Celeno has been revised at the end of the three months ended March 31, 2022 and at the end of the three months ended June 30, 2022, respectively. These revisions to the allocation of the acquisition costs (PPA) have been reflected in the consolidated financial results for the end of the previous fiscal year.

(3) Overview of Financial Results

The Group discloses consolidated business results in terms of both its internal measures which management relies upon in making decisions (“Non-GAAP”) and those under IFRS.

Non-GAAP revenue, Non-GAAP gross profit and Non-GAAP operating profit are revenue, gross profit and operating profit under IFRS (hereinafter “IFRS revenue,” “IFRS gross profit” and “IFRS operating profit”) after excluding or adjusting non-recurring items and other adjustments following a certain set of rules. The Group believes providing non-GAAP forecasts will help to better understand the Group’s constant business results. Non-recurring items include depreciation of intangible assets recognized from acquisitions, other purchase price allocation (“PPA”) adjustments and stock-based compensation as well as other non-recurring expenses and income the Group believes to be applicable.

The Group consists of “Automotive Business” and “Industrial/Infrastructure/IoT Business” and those are the Group’s reportable segments. For details, please refer to “Note 6. Business Segments” in the “V. Accounting Status, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements”.

(Note) For non-GAAP disclosure, the Group refers to the rules specified by the U.S. Securities and Exchange Commission but does not fully comply with such rules.

(i) Overview of the financial operation for the current fiscal year (Jan 1 – Dec 31, 2022) (Non-GAAP basis)

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2021)	Current fiscal Year (Jan 1 – Dec 31, 2022)	Increase (Decrease)	
Non-GAAP Revenue	994.4	1,502.7	508.3	51.1%
Automotive	462.3	645.0	182.7	39.5%
Industrial/Infrastructure/IoT	515.5	845.9	330.3	64.1%
Non-GAAP Gross Profit Non-GAAP Gross Margin	528.9 53.2%	863.2 57.4%	334.3 4.3pts	63.2% -
Automotive	214.6 46.4%	324.4 50.3%	109.9 3.9pts	51.2% -
Industrial/Infrastructure/IoT	312.3 60.6%	535.3 63.3%	223.0 2.7pts	71.4% ---
Non-GAAP Operating Profit Non-GAAP Operating Margin	296.6 29.8%	559.4 37.2%	262.8 7.4pts	88.6% -
Automotive	122.4 26.5%	219.2 34.0%	96.8 7.5pts	79.0% -
Industrial/Infrastructure/IoT	167.1 32.4%	331.8 39.2%	164.7 6.8pts	98.6% -
USD Exchange rate (Yen)	109	130	-	- -
EUR Exchange rate (Yen)	130	137	-	

(Note) 1. The allocation of the acquisition costs for the business combinations with Dialog and Celeno has been revised at the end of the three months ended March 31, 2022 and at the end of the three months ended June 30, 2022, respectively. These significant revisions to the allocation of the acquisition costs (PPA) have been reflected in the consolidated financial results for the end of the previous fiscal year.

2. For details on the above, please refer to "Note 6. Business Segments" in the "V. Accounting Status, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements".

3. Exchange rates are the average of each month's rates used for the conversion of revenues and expenses.

The financial results for the current fiscal year are as follows:

< Non-GAAP Revenue>

Consolidated non-GAAP revenue for the current fiscal year was 1,502.7 billion yen, a 51.1% increase year on year. This was mainly due to a sales increase effect from the consolidation of Dialog acquired on August 31, 2021 and yen depreciation, in addition to an increase in revenue in the Automotive Business supported by continued growth in semiconductor contents per vehicle as well as an increase in revenue in the Industrial/Infrastructure/IoT Business from demand expansion in the infrastructure market such as datacenters.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the current fiscal year was 863.2 billion yen, a 334.3 billion yen increase year on year. This was mainly due to above-mentioned increases in Automotive and Industrial/Infrastructure/IoT Business revenue as well as an increase in gross margin mainly from improvements in product mix. As a result, non-GAAP gross margin for the current fiscal year was 57.4%, an increase by 4.3 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the current fiscal year was 559.4 billion yen, a 262.8 billion yen increase year on year. This was mainly due to an increase in gross profit as well as an effort to streamline business operations. As a result, non-GAAP operating margin for the current fiscal year was 37.2%, an increase by 7.4 points year on year.

The revenue breakdown of the business segments for the current fiscal year are as follows:

Automotive Business

The Automotive Business includes the product categories "Automotive Control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive Information," comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as Automotive Information devices such as in-vehicle infotainment (IVI) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories.

Non-GAAP revenue of the Automotive Business for the current fiscal year was 645.0 billion yen, a 39.5% increase year on year. This was mainly due to yen depreciation in addition to increases in sales for both the “Automotive Control” and “Automotive Information” categories following the growth of semiconductor contents per vehicle.

Non-GAAP gross profit of the Automotive Business for the current fiscal year was 324.4 billion yen, a 109.9 billion yen increase year on year. This was due to an increase in gross margin mainly from product mix improvements in addition to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the current fiscal year was 219.2 billion yen, a 96.8 billion yen increase year on year, due to the sales increase effect as well as an increase in profits from gross margin improvements.

Industrial/Infrastructure/IoT Business

The Industrial/Infrastructure/IoT Business includes the categories “Industrial,” “Infrastructure” and “IoT” which support a smart society. The Group mainly supplies MCUs, SoCs and analog semiconductor devices in each of these categories.

Non-GAAP revenue of the Industrial/Infrastructure/IoT Business for the current fiscal year was 845.9 billion yen, a 64.1% increase year on year. This was mainly due to a revenue increase from Dialog consolidation and yen depreciation in addition to an increase in revenues in the “Industrial,” “Infrastructure,” and “IoT” categories. Main contributors were devices for factory automation, PC/mobile, and datacenters.

Non-GAAP gross profit of the Industrial/Infrastructure/IoT Business for the current fiscal year was 535.3 billion yen, a 223.0 billion yen increase year on year. This was mainly due to an increase in gross margin from product mix improvements in addition to increased revenue.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT Business for the current fiscal year was 331.8 billion yen, a 164.7 billion yen increase year on year, due to the sales increase effect as well as an increase in profits from gross margin improvements.

The Group announced the “Mid-Term Growth Strategy” and “Financial Model” on February 17, 2020. The Group set as a long-term target of achieving sales growth exceeding that of the market through concentrated investment of management resources in markets on which the Group is focusing its attention. The Group also targets to optimize production efficiency, improve the product mix and realize synergies from the integrations of the former IDT, Dialog and Celeno. The Group updated its existing financial model on September 29, 2021, targeting to achieve a 50-55% non-GAAP gross margin and a 25-30% non-GAAP operating margin.

The targets in the "Mid-Term Growth Strategy" and "Financial Model" are the Group's long-term management objectives as of the date of filing and we cannot guarantee that they will be achieved. Results may be affected by a number of risk factors and other changes in the external environment, including the matters described under "2. Risk Factors" in the Management’s Discussion and Analysis of Operations.

(ii) Reconciliation of Non-GAAP gross profit to IFRS gross profit and Non-GAAP operating profit to IFRS operating profit

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2021)	Current fiscal year (Jan 1 – Dec 31, 2022)
Non-GAAP gross profit Non-GAAP gross margin	528.9 53.2%	863.2 57.4%
Reconciliations in Revenue Level (Note 1)	(0.5)	(1.8)
Amortization of purchased intangible assets and depreciation of property, plant and equipment	(0.9)	(1.0)
Market valuation of inventories	(13.1)	(1.5)
Stock-based compensation	(1.4)	(1.5)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(16.9)	(3.2)
IFRS gross profit IFRS gross margin	496.1 49.9%	854.0 56.9%
Non-GAAP operating profit Non-GAAP operating margin	296.6 29.8%	559.4 37.2%
Reconciliations in Revenue Level (Note 1)	(0.5)	(1.8)

Amortization of purchased intangible assets and depreciation of property, plant and equipment	(67.3)	(106.2)
Market valuation of inventories	(13.1)	(1.5)
Stock-based compensation	(14.9)	(18.1)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(27.0)	(7.5)
IFRS operating profit IFRS operating margin	173.8 17.5%	424.2 28.3%

(Note) 1. Non-GAAP adjustments have been applied to the revenue following the implementation of PPA.
2. "Other reconciliation items in non-recurring expenses and adjustments" includes the non-recurring items related to acquisitions and other adjustments as well as non-recurring profits or losses the Group believes to be applicable.
3. The allocation of the acquisition costs for the business combinations with Dialog and Celeno has been revised at the end of the three months ended March 31, 2022 and at the end of the three months ended June 30, 2022, respectively. These significant revisions to the allocation of the acquisition costs (PPA) have been reflected in the consolidated financial results for the end of the previous fiscal year.

(iii) Overview of the financial operation for the current fiscal year (Jan 1 – Dec 31, 2022) (IFRS)

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2021)	Current fiscal year (Jan 1 – Dec 31, 2022)	Increase (Decrease)	
Revenue	993.9	1,500.9	506.9	51.0%
Gross Profit Gross Margin	496.1 49.9%	854.0 56.9%	357.9 7.0 pts	72.1% ---
Operating Profit Operating Margin	173.8 17.5%	424.2 28.3%	250.3 10.8 pts	144.0% ---

(Note) The allocation of the acquisition costs for the business combinations with Dialog and Celeno has been revised at the end of the three months ended March 31, 2022 and at the end of the three months ended June 30, 2022, respectively. These significant revisions to the allocation of the acquisition costs (PPA) have been reflected in the consolidated financial results for the end of the previous fiscal year.

(iv) Overview of production, orders and sales

The Group manufactures and sells a wide variety of products and even if the products are of the same type, their performance, structure, and format are not necessarily uniform. In addition, there are many products that do not take the form of built-to-order production. Accordingly, the Group does not disclose the scale of production or the scale of orders received for each product category in terms of value or quantity.

Therefore, the status of production, orders received, and sales is shown in relation to the revenue segment in "II. Business Conditions 3. Management's Discussion and Analysis."

Sales to major customers and the ratio to total sales are as follows.

	Business Segments	Previous fiscal year (Jan 1 – Dec 31, 2021)		Current fiscal year (Jan 1 – Dec 31, 2022)	
		Amount (Millions of yen)	Rate (%)	Amount (Millions of yen)	Rate (%)
Ryosan Company, Limited	Automotive and Industrial/Infrastructure/IoT Business	141,325	14.21	-	-
WT Microelectronics Co., Ltd.	Automotive and Industrial/Infrastructure/IoT Business	127,845	12.86	-	-

(Note) During the current fiscal year, there was no transaction with a single customer that accounted for 10 % or more of the Group's total sales. For this reason, total sales and the ratio to total sales are omitted from the above table.

(4) Cash Flows

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2021)	Current fiscal year (Jan 1 – Dec 31, 2022)
Net cash provided by (used in) operating activities Net cash provided by (used in) investing activities	307.4 (663.1)	479.3 (97.5)
Free cash flows	(355.7)	381.8
Net cash provided by (used in) financing activities	340.9	(294.8)
Cash and cash equivalents at the beginning of period Cash and cash equivalents at the end of period	219.8 221.9	221.9 336.1

(Note) As defined as a total of net cash flows provided by (used in) operating and investing activities.

(Net cash provided by (used in) operating activities)

Net cash provided by operating activities for the current fiscal year was 479.3 billion yen. This was mainly due to a recording of 362.3 billion yen in profit before tax as well as adjustments in non-cash items such as depreciation.

(Net cash provided by (used in) investing activities)

Net cash used in investing activities for the current fiscal year was 97.5 billion yen. This was mainly due to purchase of property, plant and equipment as well as intangible assets.

The foregoing resulted in positive free cash flows of 381.8 billion yen for the current fiscal year.

(Net cash provided by (used in) financing activities)

Net cash used in financing activities for the the current fiscal year was 294.8 billion yen. This was mainly due to purchase of treasury shares and repayments of borrowings to main financing banks.

(5) Liquidity and Capital Resources

The Group's basic financial policy is to secure adequate liquidity and capital resources for its operations and to maintain a strong balance sheet.

On January 15, 2019, the Company entered into a syndicated loan agreement for a total of 897 billion yen with its primary financial institutions, MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited, and others, in order to procure capital necessary for the acquisition of the former IDT and to renew an existing loan for the purpose of securing mid- to long-term working capital. The Company drew down 698 billion yen as a term-loan under the aforementioned agreement in March 2019. In addition, the Company repaid an existing term-loan in June 2019 and executed a 149-billion-yen term-loan agreement.

In addition, on August 31, 2021, the Company borrowed term loans with a total amount of 270 billion yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd., to finance the acquisition of Dialog.

On December 23, 2021, with the purpose of refinancing the remaining 240 billion yen of the existing loan of 270 billion yen to mid- to long-term funds, and after having repaid 30 billion yen, the Company concluded a syndicated loan agreement with MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, and others for the total of 96 billion yen. On the same day, the Company concluded a JBIC loan agreement with JBIC (Japan Bank for International Cooperation) for a total of 144 billion yen. Based on these agreements, the Company borrowed a total amount of 240 billion yen on December 30, 2021.

The Company decided on November 19, 2021, to issue US dollar-denominated senior notes in multiple tranches. The Company issued 500 million of US dollar-denominated senior notes due 2024 and 850 million of US dollar-denominated senior notes due 2026, for total proceeds of 1,350 million US dollars. The yen-converted amount of the outstanding balance of the Company's bonds at the end of this Fiscal Year was 178.6 billion yen.

In April 2022, the Company executed a short-term loan of 50 billion yen with MUFG Bank, Ltd., Mizuho Bank, Ltd. and Sumitomo Mitsui Trust Bank, Limited as borrowers under a commitment-line-setting contract dated January 15, 2019. The loan was repaid in full in July 2022.

For the purpose of responding to the demand for funds for future business development and securing flexible means of procuring working capital, the Company entered into a term loan agreement with Bank of America N. A. Tokyo Branch dated June 28, 2022 for a total of 200 million US dollars, and the Company entered into a term loan agreement with MUFG Bank dated June 30, 2022 for a total of 20 billion yen. Based on these agreements, the Company borrowed a total of 47.1 billion yen on June 30, 2022.

As of the end of the current fiscal year, the total amount of borrowings was 5,772 billion yen. As of the end of the current fiscal year, the Group had 3,361 billion yen in cash and cash equivalents.

(6) Off-balance Sheet Arrangements

The Group conducts liquidation of accounts receivable on a regular basis. As of the end of the current fiscal year, the balance of liquidated accounts receivable was 14.0 billion yen.

4. Material Operational Contracts etc.

Material operational contracts for the Group’s business and their content are as follows:

(1) Technological Assistance Agreements and Similar Agreements

Agreement and party	Execution date	Contract description
(i) Patent cross-licensing agreement with Texas Instruments Incorporated	March 2, 2011	Cross license of patents relating to semiconductors (including subsidiaries)
(ii) Agreement for introduction of technology from ARM Limited	December 22, 2015	Introduction of technology relating to design of semiconductors

(2) Loan Agreements

Lender	Execution date	Contract description
(i) Mitsubishi UFJ Trust and Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Ltd.	January 15, 2019	Syndicated loan totaling 356.7 billion yen in order to procure capital necessary for the acquisitions and to renew an existing loan for the purpose of mid-term working capital
(ii) Mitsubishi UFJ Trust and Banking Corporation Mizuho Bank, Ltd. Sumitomo Mitsui Trust Bank, Ltd., etc.	December 23, 2021	Syndicated loan totaling 70.2 billion yen to refinance existing loans with med-term borrowings
(iii) Japan Bank for International Cooperation	December 23, 2021	Term loan totaling 105.4 billion yen to refinance existing loans with med-term borrowings
(iv) Bank of America N.A. Tokyo Branch	June 28, 2022	Term loan totaling 200 million US dollar to secure flexible means of procuring financing to meet funding requirements in future business developments and to secure working capital, as well as to improve the stability of the Company's financial base
(v) Mitsubishi UFJ Trust and Banking Corporation	June 30, 2022	Term loan totaling 20.0 billion yen to secure flexible means of procuring financing to meet funding requirements in future business developments and to secure working capital, as well as to improve the stability of the Company's financial base

5. Research and Development Activities

(1) Structure and Policy of Research and Development Activities

The Group's research and development activities include the development of devices, software, and systems that are needed from the present to the near future. Products related to in-vehicle control and automotive information are handled by Automotive Solution Business Unit, while products related to Industry/Infrastructure/IoT are handled by IoT and Infrastructure Business Unit. We have established a system in which each business unit and the Production and Technology Unit cooperate to take charge of common technologies across divisions, such as device and process technologies, implementation technologies, and design platforms and test methods.

In addition, we utilize not only our own research and development resources, but also external resources as necessary, such as outsourcing research to consortiums and external research institutions, and utilizing third parties to provide optimal support to a wide range of fields and customers.

In the super-smart society, where all kinds of goods, such as home appliances and automobiles, are linked to the network, and information is exchanged with one another and services provided, it is necessary to achieve organic linkage and communication among the computing functions performed by digital products, such as microcontrollers and system LSIs, which the Company has traditionally been strong; the sensing functions that are equivalent to the eyes, ears, and noses of the people, in which analog products are strong; and the actuator functions that are used to drive motors and other products, in which power products are strong. The Group will expand its product portfolio to support a broad range of functions, from sensing to accelerator functions, and strengthen its solution (called "Winning Combination"), which combines analog products with digital products. At the same time, we will realize growth in the market by focusing on research and development activities to provide software such as IP (design assets) and OS as platforms that can be commonly used for each application.

(2) Main Research and Development Achievements

(i) Renesas announced AI chip development that realized a maximum of 10 times electricity efficiency compared to conventional technologies

The Group has developed an AI chip using DRP that processes complex tasks.

This AI chip is a project developed by combining the Group's original AI accelerator "DRP-AI" and AI weight reduction technology that further enhances power efficiency in the "AI Chips and Next-Generation Computing Technologies Development that Enable High-Efficiency and High-Speed Processing" project promoted by Japan's New Energy and Industrial Technology Development Organization (NEDO).

The power efficiency of this AI chip is 10 TOPS (10 trillion operations per second) per watt, which achieves up to 10 times higher power efficiency than conventional technology. It can be embedded in AI equipment that requires real-time response with low power consumption such as security cameras, auto transporters, service robots, etc. We have also developed a learning system that can respond appropriately to changes in the usage environment on the side of devices that use the chip, and demonstrated the system's basic operation.

The Group will promote and expand automation in various industries through the development of this AI chip, including the smart market and robotics, and contribute to the creation of new services accompanying the acceleration of DX (Digital Transformation).

(ii) Renesas launches integrated development environment that enables ECU-level automotive software development without hardware

The Group launched the integrated development environment for automotive development, as a part of the expansion of the development environment to contribute to the realization of the "software first" approach in which software drives the value of automobiles in automotive development, and of a "shift left" approach in which specifications, functions, and performance can be verified without hardware from the initial stages of automotive development.

This development environment enables electronic control unit (ECU) operation simulations with multiple LSIs built-in, by integrating and interlocking a group of simulators such as the R-Car Virtual Platform, which was conventionally provided for individual semiconductors such as SoCs and microcontrollers, and realizing simultaneous and synchronized execution, braking control, and acquisition of trace information for individual semiconductors. In addition, this development environment is based on the QEMU open source virtual environment (one of emulator-type virtualization software that reproduces computer operations in software), and models SoCs and microcontrollers at a high level of abstraction. This makes it possible to perform large-scale operation simulations at the ECU level for automotive at a higher speed.

With this development environment, the Group will provide customers with a verification environment from the initial stage of development of customer products and enable software development at the ECU level, which will improve the product value. We will contribute to the realization of “software first” and “shift left.”

(iii) Renesas RA family MCUs achieve CAVP certification for comprehensive suite of cryptographic algorithms

Secure Crypto Engine 9 (SCE9), the security engine of the Group’s RA family of 32-bit microcontrollers (MCUs) implementing Arm Cortex®-M has been certified by the Unites States’ National Institute of Standards and Technology (NIST) Cryptographic Algorithm Verification Program (CAVP).

This certification provides independent verification from the viewpoint of a third party by NIST of the correct implementation of the cryptographic algorithms, which is vital to ensure connectivity interoperability.

The Group’s RA family products (RA6M4, RA6M5, RA4M2, and RA4M3 product groups) with built-in SCE9 all received CAVP certification for a comprehensive suite of cryptographic algorithms, including multiple common key system modes: Advanced Encryption Standard (AES), public key system: Rivest Shamir Adleman (RSA), hashing, and algorithms for key generation and authentication, as well as key agreement schemes.

With CAVP certification, in conjunction with similar certification systems, SESIP Level 1 and PSA Certified Level 2, the Group can provide the industry’s comprehensive IoT security solutions and consequently the Group can support securing data by customers in a broad range of connected device areas.

(3) Research and Development Costs

The Group capitalizes a portion of its research and development costs, which are recorded as intangibles. Research and development expenses for the current fiscal year, including development expenses recorded as intangible assets, were 206.7 billion yen, an increase of 51.5 billion yen from 155.3 billion yen for the previous fiscal year. This was primarily used for product design, system development, device development, process technology development, and packaging technology development.

Since the majority of the Group's research and development is related to both the Automobile Business and the Industrial/Infrastructure/IoT Business, information by segment is omitted.

III. Status of Facilities

1. Overview of Capital Expenditures

The Group's capital expenditures for the current fiscal year (based on investment decisions) were 216.4 billion yen. The main breakdown is investment in the Kofu Factory, which is scheduled to be restarted as a 300mm production line dedicated to power semiconductor devices, investment in increased production at front-end process lines (Naka, Saijo, Kawashiri), and renewal of production facilities at production lines.

This capital investment is used in both the Automobile Business and the Industrial/Infrastructure/IoT Business, and it is difficult to allocate the amount strictly to each segment. Therefore, capital investment by each segment is omitted.

2. Status of Major Facilities

Major facilities of the Group at the end of the current fiscal year are as follows.

(1) Filing Company

Site Name (Location)	Related reports segment name	Details of facilities	Book value (million yen) (Note)					Number of employees (persons)
			Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land (㎡)	Others	Total	
Naka Factory (Hitachinaka-shi, Ibaraki Prefecture)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor production facilities	8,879	21,326	2,985 (160,336)	1,980	35,170	281
Musashi Factory (Kodaira-shi, Tokyo)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor R&D facilities	6,340	16,737	7,133 (56,268)	840	31,049	3,238
Kawashiri Factory (Kumamoto-shi, Kumamoto Prefecture)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor production facilities	8,677	5,691	3,375 (154,296)	311	18,054	76

(Note) The Naka Factory and Kawashiri Factory outsource operations to consolidated subsidiary Renesas Semiconductor Manufacturing Co., Ltd.

(2) Overseas Subsidiaries

Company Name (Location)	Related reports Segment name	Details of facilities	Book value (million yen)					Number of employees (persons)
			Buildings and structures	Machinery, vehicles, tools, furniture and fixtures	Land (㎡)	Others	Total	
Renesas Electronics America, Inc. (California, U.S.A., etc.)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor production facilities	18,079	17,873	3,160 (566,445)	5,157	44,269	1,803
Dialog Semiconductor Limited (United Kingdom Buckinghamshire, etc.)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor R&D facilities	3,802	8,930	— (—)	66	12,798	2,317

3. Plans for New Facility Installation, Retirement, etc.

Plans for the installation and retirement of the Group's major facilities are formulated based on a comprehensive consideration of demand trends, investment efficiency, and other factors. The semiconductor industry, to which the Group belongs, is characterized by significant changes in the business climate in a short period of time, and it is difficult to accurately calculate reliable figures for full-year earnings forecasts; accordingly, the Company discloses consolidated earnings forecasts on a quarterly basis. As a result, we do not disclose specific plans for capital expenditures for the following fiscal year; however, we plan to invest approximately 18.0 billion yen in the 1Q of 2023, and the main investments will be for improving production capacity and strengthening design and development.

This capital investment will be used in both the Automobile Business and the Industrial/Infrastructure/IoT Business, and it is difficult to allocate strictly to each segment. Therefore, capital investment by each segment is omitted.

IV. Status of the Filing Company
1. Stock Information
(1) Total Number of Shares and Related Matters

(i) Total Number of Shares

Type	Total Number of Authorized Shares (shares)
Common stock	3,400,000,000
Total	3,400,000,000

(ii) Issued Shares

Type	Number of Issued Shares as of the End of the Fiscal Year (as of December 31, 2022)	Number of Issued Shares as of the Filing Date (as of March 30, 2023)	Names of Listed Financial Instruments Exchange, Registered or Approved Financial Instruments Trading Association	Details
Common stock	1,958,454,023	1,958,454,023	Tokyo Stock Exchange (Prime Market)	Shares constituting one unit of shares: 100 shares
Total	1,958,454,023	1,958,454,023	—	—

(2) Status of Stock Acquisition Rights

① Description of Stock Option Plan

(a) Stock acquisition rights in FY2017

	First Series of FY2017 Stock Acquisition Rights	Second Series of FY2017 Stock Acquisition Rights
Date of Resolution	March 13, 2017	
Category and number of eligible persons	2 Company Directors 8 Company Executive Officers (excluding persons concurrently serving as Directors) 342 Company Employees 4 Subsidiaries Directors 205 Subsidiaries Employees	3 Company Executive Officers (excluding persons concurrently serving as Directors) 16 Subsidiaries Directors 685 Subsidiaries Employees
Number of stock acquisition rights (*)	40 [40] (Note 1)	105 [105] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 4,000 [4,000] (Note 1)	Common stock: 10,500 [10,500] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	April 4, 2017 (JST) – April 3, 2027 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 1,168 Amount to be included in capital: 584 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The type of shares to be acquired upon exercise of the stock acquisition rights shall be shares of common stock of

the Company, and the number of shares to be acquired upon exercise of one stock acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The issue price per share to be issued upon exercise of the stock acquisition rights is the sum of the amount to be paid when exercising the stock acquisition rights and the book value of the stock acquisition rights. The "amount to be included in capital" shows the amount obtained by multiplying the issue price of shares by 0.5 (any fractions less than one whole Yen rounded up to the nearest whole Yen).
   (2)① The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.
   ② The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in ① above, from the maximum amount of increases of the share capital set forth in ① above.
3. (1) The holder of the stock acquisition rights may not exercise its stock acquisition rights during the period of one year from the immediately following day of the allotment date.
   (2) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.
   (3) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).
   (4) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.
   (5) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.
   (6) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.
4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.
   ①proposal for approval of a merger agreement providing that the Company be dissolved;
   ②proposal for approval of a company split agreement or company split plan providing that the Company be split;
   ③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;
   ④ proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;
   ⑤ proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company' approval;
   ⑥ proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company' approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of shareholders;
   ⑦ proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);
   ⑧ proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.
5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or

share transfer) (collectively, a “Reorganization”), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the “Reorganized Company”) will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the “Outstanding Stock Acquisition Rights”) on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company’s share to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

(b) Stock acquisition rights in FY2018

	First Series of FY2018 Stock Acquisition Rights	Second Series of FY2018 Stock Acquisition Rights
Date of Resolution	March 16, 2018	
Category and number of eligible persons	3 Company Directors 6 Company Executive Officers (excluding persons concurrently serving as Directors) 472 Company Employees 3 Subsidiaries Directors 99 Subsidiaries Employees	4 Company Executive Officers of the Company (excluding persons concurrently serving as Directors) 15 Subsidiaries Directors 644 Subsidiaries Employees
Number of stock acquisition rights (*)	1,692 [1,225] (Note 1)	682 [557] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 169,200 [122,500] (Note 1)	Common stock: 68,200 [55,700] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	April 3, 2018 (JST) – April 2, 2028 (JST)	

Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 1,093 Amount to be included in capital: 547 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The type of shares to be acquired upon exercise of the stock acquisition rights shall be shares of common stock of the Company, and the number of shares to be acquired upon exercise of one stock acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2.(1) The issue price per share to be issued upon exercise of the stock acquisition rights is the sum of the amount to be paid when exercising the stock acquisition rights and the book value of the stock acquisition rights. The "amount to be included in capital" shows the amount obtained by multiplying the issue price of shares by 0.5 (any fractions less than one whole Yen rounded up to the nearest whole Yen).

(2)① The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.

② The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in ① above, from the maximum amount of increases of the share capital set forth in ① above.

3. (1) The holder of the stock acquisition rights may not exercise its stock acquisition rights during the period of one year from the immediately following day of the allotment date.

(2) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.

(3) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).

(4) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of the holder of the stock acquisition rights (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the month immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.

(5) If the holder of the stock acquisition rights waives the stock acquisition rights, the holder of the stock acquisition rights may not exercise such stock acquisition rights.

(6) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.
①proposal for approval of a merger agreement providing that the Company be dissolved;
②proposal for approval of a company split agreement or company split plan providing that the Company be split;
③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;
④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171,

Paragraph 1 of the Companies Act;

⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company' approval;

⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company' approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of shareholders;

⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);

⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company's shares to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of the stock acquisition rights to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

	Third Series of FY2018 Stock Acquisition Rights	Fourth Series of FY2018 Stock Acquisition Rights
Date of Resolution	June 27, 2018	
Category and number of eligible persons	257 Company Employees 49 Subsidiaries Employees	1 Subsidiaries Director 132 Subsidiaries Employees
Number of stock acquisition rights (*)	943 [898] (Note 1)	158 [153] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 94,300 [89,800] (Note 1)	Common stock: 15,800 [15,300] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	August 1, 2018 (JST) – July 31, 2028 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 996 Amount to be included in capital: 498 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one stock acquisition rights (the “Number of Shares to be Granted”) shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The issue price per share to be issued upon exercise of the stock acquisition rights is the sum of the amount to be paid when exercising the stock acquisition rights and the book value of the stock acquisition rights. The “amount to be included in capital” shows the amount obtained by multiplying the issue price of shares by 0.5 (any fractions less than one whole Yen rounded up to the nearest whole Yen).

(2)① The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.

② The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in ① above, from the maximum amount of increases of the share capital set forth in ① above.

3. (1) The holder of the stock acquisition rights may not exercise its stock acquisition rights from the immediately following day of the allotment date to April 2, 2019 (Japan Standard Time)

(2) The holder of the stock acquisition rights shall be in the position of director, Executive Officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the “Exercise Qualification”) at the time of exercise of the stock acquisition rights.

(3) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).

(4) Notwithstanding (1) and (2) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the “Rights Successor”). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.

(5) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.
(6) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.
①proposal for approval of a merger agreement providing that the Company be dissolved;
②proposal for approval of a company split agreement or company split plan providing that the Company be split;
③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;
④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;
⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company' approval;
⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company' approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of shareholders;
⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);
⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.
(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.
(2) Type of the Reorganized Company's share to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.
(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.
(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.
(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.
(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.
(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors

of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

(c) Stock acquisition rights in FY2019

	Second Series of FY2019 Stock Acquisition Rights	Third Series of FY2019 Stock Acquisition Rights
Date of Resolution	March 25, 2019	
Category and number of eligible persons	16 Subsidiaries Employees of the Company subsidiaries	1 Company Executive Officer 1 Subsidiaries Director 1,322 Subsidiaries Employees
Number of stock acquisition rights (*)	1,389 [1,389] (Note 1)	7,710 [6,860] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 138,900 [138,900] (Note 1)	Common stock: 771,000 [686,000] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	April 9, 2019 (JST) – April 8, 2029 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 512 Amount to be included in capital: 256 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other terms from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one stock acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of theRegulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.
(2) The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in (1) above, from the maximum amount of increases of the share capital set forth in (1) above.

3. (1) The holder of the stock acquisition rights shall be in the position of director, corporate officer, auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.
(2) Notwithstanding (1) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).
(3) Notwithstanding (1) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if

during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.

(4) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.

(5) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.
   ①proposal for approval of a merger agreement providing that the Company be dissolved;
   ②proposal for approval of a company split agreement or company split plan providing that the Company be split;
   ③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;
   ④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;
   ⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company' approval;
   ⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company' approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of shareholders;
   ⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);
   ⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.
5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.
   (1) Numbers of stock acquisition rights of the Reorganized Company to be issued
   The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.
   (2) Type of the Reorganized Company's shares to be acquired upon exercise of stock acquisition rights
   Common stock of the Reorganized Company.
   (3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
   To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.
   (4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
   The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.
   (5) Exercise period of the stock acquisition rights:
   The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.
   (6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
   To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

	Fifth Series of FY2019 Stock Acquisition Rights
Date of Resolution	April 23, 2019
Category and number of eligible persons	1 Company Executive Officer 1 Subsidiaries Executive Officer 32 Subsidiaries Employees
Number of stock acquisition rights (*)	210 [210] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 21,000 [21,000] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1
Exercise period for stock acquisition rights (*)	June 1, 2019 (JST) – May 31, 2029 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 495 Amount to be included in capital: 248 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Second and Third Series of FY2019 Stock Acquisition Rights.

	Sixth Series of FY2019 Stock Acquisition Rights	Seventh Series of FY2019 Stock Acquisition Rights
Date of Resolution	June 25, 2019	
Category and number of eligible persons	484 Company Employees 2 Subsidiaries Directors 56 Subsidiaries Employees	14 Subsidiaries Directors 1,848 Subsidiaries Employees
Number of stock acquisition rights (*)	10,208 [9,274] (Note 1)	11,741 [10,708] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 1,020,800 [927,400] (Note 1)	Common stock: 1,174,100 [1,070,800] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	July 26, 2019 (JST) – July 25, 2029 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 639 Amount to be included in capital: 320 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in	(Note 5)	

reorganization (*)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Second and Third Series of FY2019 Stock Acquisition Rights.

	Eighth Series of FY2019 Stock Acquisition Rights
Date of Resolution	July 30, 2019
Category and number of eligible persons	2 Company Directors 8 Company Executive Officers 2 Company Employees
Number of stock acquisition rights (*)	1,284 [1,284] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 128,400 [128,400] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1
Exercise period for stock acquisition rights (*)	August 24, 2019 (JST) – August 23, 2029 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 630 Amount to be included in capital: 315 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Second and Third Series of FY2019 Stock Acquisition Rights.

	Tenth Series of FY2019 Stock Acquisition Rights
Date of Resolution	August 27, 2019
Category and number of eligible persons	452 Subsidiaries Employees
Number of stock acquisition rights (*)	142 [127] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 14,200 [12,700] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1
Exercise period for stock acquisition rights (*)	September 21, 2019 (JST) – September 20, 2029 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 661 Amount of to be included in capital: 331 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Second and Third Series of FY2019 Stock Acquisition Rights.

	Eleventh Series of FY2019 Stock Acquisition Rights	Twelfth Series of FY2019 Stock Acquisition Rights
Date of Resolution	September 24, 2019	
Category and number of eligible persons	126 Company Employees 11 Subsidiaries Employees	1 Company Executive Officer 113 Subsidiaries Employees
Number of stock acquisition rights (*)	1,113 [1,054] (Note 1)	468 [468] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 111,300 [105,400] (Note1)	Common stock: 46,800 [46,800] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	November 1, 2019 (JST) – October 31, 2029 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 740 Amount to be included in capital: 370 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Second and Third Series of FY2019 Stock Acquisition Rights.

	Thirteenth Series of FY2019 Stock Acquisition Rights
Date of Resolution	November 26, 2019
Category and number of eligible persons	15 Subsidiaries Employees
Number of stock acquisition rights (*)	150 [150] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 15,000 [15,000] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1
Exercise period for stock acquisition rights (*)	December 26, 2019 (JST) – December 25, 2029 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 754 Amount to be included in capital: 377 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Second and Third Series of FY2019 Stock Acquisition Rights.

	Fourteenth Series of FY2019 Stock Acquisition Rights
Date of Resolution	December 25, 2019
Category and number of eligible persons	23 Subsidiaries Employees
Number of stock acquisition rights (*)	149 [146] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 14,900 [14,600] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1
Exercise period for stock acquisition rights (*)	December 26, 2019 (JST) – December 25, 2029 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 711 Amount to be included in capital: 356 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of Second and Third Series of FY2019 Stock Acquisition Rights.

(d) Stock acquisition rights in FY2020

	First Series of FY2020 Stock Acquisition Rights	Second Series of FY2020 Stock Acquisition Rights
Date of Resolution	May 26, 2020	
Category and number of eligible persons	2 Company Directors 6 Company Executive Officers of the Company 467 Company Employees 2 Subsidiaries Directors 31 Subsidiaries Employees	2 Company Directors 4 Company Executive Officers 12 Subsidiaries Directors 1,857 Subsidiaries Employees
Number of stock acquisition rights (*)	27,080 [26,420] (Note 1)	72,362 [71,122] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 2,708,000 [2,642,000] (Note 1)	Common stock: 7,236,200 [7,112,200] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	July 1, 2020 (JST) – June 30, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 551 Amount to be included in capital: 276 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.
(2) The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in (1) above, from the maximum amount of increases of the share capital set forth in (1) above.

3. (1) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.
(2) Notwithstanding (1) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).
(3) Notwithstanding (1) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights

Successor may not further succeed to the stock acquisition rights.

(4) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.

(5) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.

①proposal for approval of a merger agreement providing that the Company be dissolved;

②proposal for approval of a company split agreement or company split plan providing that the Company be split;

③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;

⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company' approval;

⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company' approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of shareholders;

⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);

⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company's share to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights

Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights

To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights

To be determined in accordance with (Note 3) above.

	Third Series of FY2020 Stock Acquisition Rights	Fourth Series of FY2020 Stock Acquisition Rights
Date of Resolution	July 30, 2020	
Category and number of eligible persons	1 Company Director 4 Company Executive Officers 916 Company Employees 1 Subsidiaries Director 77 Subsidiaries Employees	4 Company Executive Officers 5 Subsidiaries Directors 1,537 Subsidiaries Employees
Number of stock acquisition rights (*)	3,162 [3,091] (Note 1)	2,484 [2,304] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 316,200 [309,100] (Note 1)	Common stock: 248,400 [230,400] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	August 31, 2020 (JST) – August 30, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 667 Amount to be included in capital: 334 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (NOTE *)	(NOTE 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of First and Second Series of FY2020 Stock Acquisition Rights.

	Fifth Series of FY2020 Stock Acquisition Rights	Sixth Series of FY2020 Stock Acquisition Rights
Date of Resolution	July 30, 2020	
Category and number of eligible persons	219 Company Employees 18 Subsidiaries Employees	143 Subsidiaries Employees
Number of stock acquisition rights (*)	3,411 [3,362] (Note 1)	1,114 [1,064] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 341,100 [336,200] (Note 1)	Common stock: 111,400 [106,400] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	September 1, 2020 (JST) – August 31, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 667 Amount to be included in capital: 334 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of First and Second Series of FY2020 Stock Acquisition Rights.

	Seventh Series of FY2020 Stock Acquisition Rights	Eighth Series of FY2020 Stock Acquisition Rights
Date of Resolution	October 29, 2020	
Category and number of eligible persons	3 Company Employees	104 Subsidiaries Employees
Number of stock acquisition rights (*)	374 [374] (Note 1)	2,759 [2,643] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 37,400 [37,400] (Note 1)	Common stock: 275,900 [264,300] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	December 1, 2020 (JST) – November 30, 2030 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 928 Amount to be included in capital: 464 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of First and Second Series of FY2020 Stock Acquisition Rights.

(e) Stock acquisition rights in FY2021

	First Series of FY2021 Stock Acquisition Rights	Second Series of FY2021 Stock Acquisition Rights
Date of Resolution	January 29, 2021	
Category and number of eligible persons	6 Company Employees	52 Subsidiaries Employees
Number of stock acquisition rights (*)	131 [131] (Note 1)	1,119 [1,081] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 13,100 [13,100] (Note 1)	Common stock: 111,900 [108,100] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1	
Exercise period for stock acquisition rights (*)	February 27, 2021 (JST) – February 26, 2031 (JST)	
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 1,169 Amount to be included in capital: 585 (Note 2)	
Conditions for the exercise of stock acquisition rights (*)	(Note 3)	
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.	
Delivery of stock acquisition rights in reorganization (*)	(Note 5)	

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1. The number of shares to be acquired upon exercise of one acquisition right (the "Number of Shares to be Granted") shall be 100 shares.
However, in the case of a stock split (including gratuitous allotment of shares of common stock of the Company; the same applies hereinafter) or stock consolidation of shares of common stock of the Company by the Company after the allotment date, the Number of Shares to be Granted shall be adjusted using the following formula with respect to the stock acquisition rights that have not been exercised at the time of such stock split or stock consolidation:
(Number of shares to be granted after adjustment) = (Number of shares to be granted before adjustment) × (Ratio of stock split or stock consolidation)
In addition to the above, if, after the allotment date, the Company carries out a merger or company split, or deems it necessary (to essentially the same extent) to adjust the Number of Shares to be Granted in other situations, the Company may appropriately adjust the Number of Shares to be Granted to a reasonable extent.
Any fraction less than one share resulting from such adjustment shall be rounded down to the nearest whole share.

2. (1) The amount of share capital to be increased when issuing shares upon exercise of the stock acquisition right will be half of the maximum amount of increases of the share capital to be calculated in accordance with Article 17, Paragraph 1 of the Regulation on Corporate Accounting, and any fractions less than one whole Yen shall be rounded down to the nearest whole Yen.
(2) The amount of legal capital surplus to be increased when issuing shares upon exercise of the stock acquisition right will be the amount obtained by deducting the amount of share capital to be increased set forth in (1) above, from the maximum amount of increases of the share capital set forth in (1) above.

3. (1) The holder of the stock acquisition rights shall be in the position of director, corporate officer, corporate auditor, executive officer or employee of the Company or its subsidiaries (the "Exercise Qualification") at the time of exercise of the stock acquisition rights.
(2) Notwithstanding (1) above, if the holder of the stock acquisition rights loses its Exercise Qualification (other than loss due to death), the holder of the stock acquisition rights may exercise its stock acquisition rights only within the period of 13 months after the immediately following day of the day of loss of the Exercise Qualification (only if during the exercise period for stock acquisition rights above).
(3) Notwithstanding (1) above, if the holder of the stock acquisition rights dies, the stock acquisition rights may be succeeded to by one (and only one) of the heirs of such holder (the "Rights Successor"). In this case, the Rights Successor may exercise the stock acquisition rights in a lump sum and only before the day that is six months after the day immediately following the day on which the holder of the stock acquisition rights dies (and only if during the exercise period for stock acquisition rights above). If the Rights Successor dies, the heirs of the Rights Successor may not further succeed to the stock acquisition rights.
(4) If the holder of the stock acquisition rights waives the stock acquisition rights, such holder may not exercise such stock acquisition rights.
(5) The stock acquisition rights allotment agreement between the Company and the holder of the stock acquisition rights may provide other conditions not stipulated above.

4. If any of the following proposals is approved at a General Meeting of Shareholders of the Company (or, if a

resolution of a General Meeting of Shareholders is not required, resolved at a Meeting of the Board of Directors of the Company), the Company may acquire all of the stock acquisition rights at no cost on the date separately designated by the Board of Directors of the Company.

①proposal for approval of a merger agreement providing that the Company be dissolved;

②proposal for approval of a company split agreement or company split plan providing that the Company be split;

③proposal for approval of a share exchange agreement or share transfer plan providing that the Company become a wholly-owned subsidiary;

④proposal for approval of the Company acquiring all of shares subject to class-wide call pursuant to Article 171, Paragraph 1 of the Companies Act;

⑤proposal for approval of amendments to the articles of incorporation specifying a provision that, as a condition pertaining to all of the shares issued by the Company, the acquisition of such shares through transfer requires the Company' approval;

⑥proposal for approval of amendments to the Articles of Incorporation specifying a provision that, as a condition pertaining to the class of shares to be acquired upon exercise of the stock acquisition rights, the acquisition of such class of shares through transfer requires the Company' approval, or a provision that the Company may acquire all of such class of shares by resolution of the General Meeting of shareholders;

⑦proposal for approval of stock consolidation of class of shares to be acquired upon exercise of the stock acquisition rights (only if the number obtained by multiplying the unit shares relating to such class of shares by the ratio of stock consolidation generates a fraction less than one share);

⑧proposal for approval of demand for cash-out by special controlling shareholders pursuant to the provisions of Article 179-3, Paragraph 1 of the Companies Act.

5. If the Company conducts a merger (limited to where the Company is to be dissolved as a result of the merger), absorption-type company split or incorporation-type company split (limited to where the Company is to be split as a result of the absorption-type company split or incorporation-type company split), or share exchange or share transfer (limited to where the Company becomes a wholly-owned subsidiary as a result of the share exchange or share transfer) (collectively, a "Reorganization"), in each case stock acquisition rights of a stock company set out in (a) through (e) of Article 236, Paragraph 1, Item 8 of the Companies Act (collectively, the "Reorganized Company") will be delivered to the holder of the stock acquisition rights holding the stock acquisition rights that are outstanding immediately before the effective date of the Reorganization (which means, in the case of an absorption-type merger, the day on which the absorption-type merger becomes effective, in the case of an incorporation-type merger, the day on which the incorporation-type merger becomes effective, in the case of an absorption-type company split, the day on which the absorption-type company split becomes effective, in the case of an incorporation-type company split, the day on which the incorporation-type company split becomes effective, in the case of a share exchange, the day on which the share exchange becomes effective, and in the case of a share transfer, the day on which the wholly-owning parent company incorporated through share transfer is incorporated; the same applies hereinafter) (the "Outstanding Stock Acquisition Rights") on the following conditions, in which case, the Outstanding Stock Acquisition Rights will be terminated; provided, however, that this shall apply only if the delivery of stock acquisition rights by the Reorganized Company on the following conditions is stipulated in an absorption-type merger agreement, incorporation-type merger agreement, absorption-type company split agreement, incorporation-type company split plan, share exchange agreement, or share transfer plan.

(1) Numbers of stock acquisition rights of the Reorganized Company to be issued
The number of stock acquisition rights equal to the number of the Outstanding Stock Acquisition Rights held by the holder of the stock acquisition rights shall be delivered.

(2) Type of the Reorganized Company's share to be acquired upon exercise of stock acquisition rights
Common stock of the Reorganized Company.

(3) Number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights
To be determined in accordance with (Note 1) above based on the consideration of conditions for the Reorganization and other factors.

(4) Amount of assets to be contributed upon exercise of the stock acquisition rights:
The contribution to be made upon exercise of the stock acquisition rights to be delivered will be made for cash, and the amount of the assets to be contributed shall be obtained by multiplying one Japanese yen, which is the amount per share of the Reorganized Company to be delivered upon exercise of the stock acquisition rights, by the number of shares of the Reorganized Company to be acquired upon exercise of stock acquisition rights to be determined pursuant to 3. above.

(5) Exercise period of the stock acquisition rights:
The exercise period of the stock acquisition rights will be from the later of the commencement date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable or the effective date of the Reorganization through the expiration date of the exercise period for stock acquisition rights above in which the stock acquisition rights are exercisable.

(6) Matters relating to share capital and legal capital surplus to be increased by the issuance of new shares upon exercise of the stock acquisition rights:
To be determined in accordance with (Note 2) above.

(7) Restriction on transfer of stock acquisition rights
Any transfer of stock acquisition rights shall be subject to the approval by a resolution of the board of directors of the Reorganized Company.

(8) Call provision of stock acquisition rights
To be determined in accordance with (Note 4) above.

(9) Other conditions for exercising stock acquisition rights
To be determined in accordance with (Note 3) above.

	Third Series of FY2021 Stock Acquisition Rights
Date of Resolution	January 29, 2021
Category and number of eligible persons	4 Subsidiaries Employees
Number of stock acquisition rights (*)	22 [22] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 2,200 [2,200] (Note 1)
Amount to be paid upon exercise of the stock acquisition rights (*)	1
Exercise period for stock acquisition rights (*)	February 27, 2021 (JST) – February 26, 2031 (JST)
Issue price and amount to be included in capital when issuing shares upon the exercise of the stock acquisition rights (*)	Issue price: 1,169 Amount to be included in capital: 585 (Note 2)
Conditions for the exercise of stock acquisition rights (*)	(Note 3)
Restriction on transfer of stock acquisition rights (*)	Any acquisition of the stock acquisition rights through transfer shall require the approval by resolution of the Board of Directors of the Company.
Delivery of stock acquisition rights in reorganization (*)	(Note 5)

(*) The table of above shows the contents as of the end of the current fiscal year (December 31, 2022). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 28, 2023), the figures as of the end of the month before the filing date are described in brackets. There are no changes in the other items from the end of the current fiscal year.

(Note) 1-5: Same as Note 1 to 5 of First and Second Series of FY2021 Stock Acquisition Rights.

② Description of Rights Plan

Not applicable.

③ Status of Other Stock Acquisition Rights

Not applicable.

(3) Exercise of Bonds with Stock Acquisition Rights with Moving Strike Clause and Related Matters

Not applicable.

(4) Changes in Total Number of Issued Shares and Capital

Date	Changes in Total Number of Issued Shares (shares)	Balance of Total Number of Issued Shares (shares)	Changes in Share Capital (Millions of yen)	Balance of Share Capital (Millions of yen)	Changes in Legal Capital Surplus (Millions of yen)	Balance of Legal Capital Surplus (Millions of yen)
January 1, 2018 - December 31, 2018 (Note 1)	1,190,900	1,668,385,390	678	10,699	678	699
January 1, 2019 - December 31, 2019 (Note 1)	41,891,400	1,710,276,790	11,514	22,213	11,514	12,213
January 1, 2020 - December 31, 2020 (Note 1)	21,622,200	1,731,898,990	6,758	28,971	6,758	18,971
January 1, 2021 - December 31, 2021 (Note 2) (Note 3) (Note 4)	211,906,785	1,943,805,775	118,161	147,133	118,161	137,133
January 1, 2022 - December 31, 2022 (Note 4)	14,648,248	1,958,454,023	6,076	153,209	6,076	143,209

(Note) 1. The increase was due to the exercise of stock acquisition rights.

2. With the issuance of 192,252,800 shares of common stock (issue price: 1,174 yen, payment amount: 1,151.70 yen, capitalization amount: 575.85 yen) through a public offering with a payment date of June 15, 2021, share capital and legal capital surplus increased to 110,709 million yen.

3. With the issuance of 2,067,600 shares of common stock (issue price: 1,151.70 yen, capitalization amount: 575.85 yen, allottee: Daiwa Securities Co.Ltd.) through a third-party allotment with the payment due date of June 28, 2021, share capital and legal capital surplus increased to 1,191 million yen.
4. In addition to Note 2 and 3 above, the increase was due to the exercise of stock acquisition rights and vesting of the stock units granted by the stock compensation plan.

(5) Distribution of Shares by Category of Shareholders

As of December 31, 2022

Classification	Status of Shares (Number of Shares per Unit: 100 Shares)								Status of Shares Constituting Less Than One Unit of Share (shares)
	National and Local Governments	Financial Institutions	Financial Instruments Business Operators	Other Entities	Foreign Entities, etc.		Individuals and Others	Total	
					Other than individuals	Individuals			
Number of Shareholders	-	42	61	887	887	426	99,296	101,599	-
Number of Shares Held (Unit of Shares)	-	3,418,603	142,738	5,793,812	7,763,699	3,432	2,460,921	19,583,205	133,523
Percentage of Number of Shares Held (%)	-	17.456	0.728	29.585	39.644	0.017	12.566	100	-

(Note) 1. 161,488,167 shares of treasury stock are included in “Individuals and Others” (1,614,881 units) and in “Status of Shares Constituting Less Than One Unit” (67 shares).
2. “Other Entities” includes 2 units of shares held in the name of the Japan Securities Depository Center.
3. Percentage of the Number of Shares Held regarding the Number of Shares Held (Unit of Shares) is rounded off to the second decimal place.

(6) Status of Large Shareholders

As of December 31, 2022

Name of Shareholders	Address	Number of Shares Held (shares)	Percentage of Shares Held (%)
INCJ, Ltd.	1-3-1, Toranomon, Minato-ku, Tokyo	223,531,575	12.43
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	189,128,600	10.52
DENSO Corporation	1-1 Showa-cho, Kariya-shi, Aichi	153,143,625	8.52
Toyota Motor Corporation	1, Toyota-cho, Toyota-shi, Aichi	75,015,900	4.17
Custody Bank of Japan, Ltd. (Retirement Benefit Trust Account re-entrusted by Sumitomo Mitsui Trust Bank, Limited/NEC Corporation Pension and Severance Payments Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	71,779,857	3.99
Hitachi, Ltd.	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	61,990,548	3.44
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	56,984,100	3.17
Mitsubishi Electric Corporation	2-7-3, Marunouchi, Chiyoda-ku, Tokyo	50,706,885	2.82
MSIP CLIENT SECURITIES	25 CABOT SQUARE, CANARY WHARF, LONDON E14 4QA, U.K. (1-9-7, Otemachi, Chiyoda-ku, Tokyo)	35,995,562	2.00
SSBTC CLIENT OMNIBUS ACCOUNT	ONE LINCOLN STREET, BOSTON MA USA 02 111 (3-11-1, Nihombashi, Chuo-ku, Tokyo)	33,061,421	1.83
Total	–	951,338,073	52.94

(Note) 1. In addition to above, the Company owns 161,488,167 shares of treasury stock.

2. Shareholding ratio is calculated by excluding 161,488,167 shares of treasury stock.
3. Shareholding ratio is shown by truncating the numbers beyond the third decimal place.
4. 71,779,857 shares ("Percentage of Shares Held": 3.99%) owned by Custody Bank of Japan, Ltd. (Re-trust of Sumitomo Mitsui Trust Bank, Limited/NEC Corporation Pension and Severance Payments Trust Account) were shares that were contributed by NEC Corporation as severance indemnities trusts. The voting rights of such shares will be exercised at the instruction of NEC Corporation.
5. Capital Research and Management Company submitted the large shareholding report and related correction report with joint ownership of Capital Guardian Trust Company, Capital International Limited, and Capital International Co., Ltd. as of October 6, 2017, September 7, 2018, and November 19, 2018, reporting that they jointly own 61,961,977 shares (percentage of shares held: 3.72%) as of August 31, 2018 (the date of the reporting obligation has occurred) as follow. However, they are not included in above Major Shareholders as the Company could not confirm the actual owning share numbers as of December 31, 2021.

The contents of the large shareholding report as of September 7, 2018, and November 19, 2018 are as follows;

Name of Shareholders	Address	Number of Shares Held (shares)	Percentage of Shares Held (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	40,564,077	2.25
Capital Guardian Trust Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	8,746,000	0.48
Capital International Limited	40 Grosvenor Place, London SW1X 7GG, England	2,047,300	0.11
Capital International Co., Ltd.	14th floor, Meiji Yasuda Life Insurance Building, 2-1-1 Marunouchi, Chiyoda-ku, Tokyo	10,604,600	0.59

(7) Status of Voting Rights

① Issued Shares

As of December 31, 2022

Classification	Number of Shares (shares)		Number of Voting Rights	Details
Non-voting shares		-	-	-
Shares with restricted voting rights (treasury stock, etc.)		-	-	-
Shares with restricted voting rights (others)		-	-	-
Shares with full-voting rights (treasury stock, etc.)	Common stock	161,488,100	-	-
Shares with full-voting rights (others)	Common stock	1,796,965,800	17,969,658	-
Shares constituting less than one unit of shares	Common stock	133,523	1,796,965,800	-
Number of issued shares		1,958,454,023	-	-
Voting rights of all shareholders		-	17,969,658	-

(Note) “Shares with full-voting rights (others)” includes 200 shares (two (2) voting rights) held in the name of the Japan Securities Depository Center.

② Treasury Stock, etc.

As of December 31, 2022

Holder’s name	Address of holder	Number of shares held in the name of holder (shares)	Number of shares held in the name of others (shares)	Total number of shares held (shares)	Percentage of number of shares held to the total number of issued shares (%)
Renesas Electronics Corporation	2-24, Toyosu 3-chome, Koto-ku, Tokyo	161,488,100	-	161,488,100	8.24
Total	-	161,488,100	-	161,488,100	8.24

2. Status of Acquisition of Own Shares

[Class of Shares]

The acquisition of common stock pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, as applied by replacing terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act.

(1) Status of Acquisition by Resolutions of General Meetings of Shareholders

Not applicable.

(2) Status of Acquisition by Resolutions of Board of Directors

Classification	Number of shares (shares)	Total price (Yen)
Status of Resolutions at the Board of Directors Meeting (April 27, 2022) (Acquisition period: from April 28, 2022 to June 30, 2022)	168,067,326 (upper limit)	200,000,117,940 (upper limit)
Treasury stock acquired prior to the current fiscal year	—	—
Treasury stock acquired in the current fiscal year	168,067,250	200,000,027,500
Total number and value of remaining resolution shares	76	90,440
Unexercised ratio as of the end of the current fiscal year (%)	0.00	0.00
Treasury stock acquired during the current period	—	—
Unexercised ratio as of the filing date (%)	0.00	0.00

(Note) 1. On April 27, 2022, the Board of Directors resolved to make a tender offer for the Company's common stock. An outline of the tender offer is as follows:

Period of the Tender Offer: From April 28, 2022 (Thursday) to May 31, 2022 (Tuesday) (20 business days)

Tender Offer price: 1,190 yen per share

Number of shares to be purchased: 168,067,226 shares

Commencement date of settlement: June 22, 2022 (Wednesday)

2. The unexercised ratio as of the end of the current fiscal year and the unexercised ratio as of the filing date are shown by truncating the numbers beyond the third decimal place.

Classification	Number of shares (shares)	Total price (Yen)
Status of Resolutions at the Board of Directors Meeting (February 9, 2023) (Acquisition period from February 10, 2023 to April 28, 2023)	40,453,174 (upper limit)	50,000,123,064 (upper limit)
Treasury stock acquired prior to the current fiscal year	—	—
Treasury stock acquired in the current fiscal year	—	—
Total number and value of remaining resolution shares	40,453,174	50,000,123,064
Unexercised ratio as of the end of the current fiscal year (%)	—	—
Treasury stock acquired during the current period	—	—
Unexercised ratio as of the filing date (%)	100.0	100.0

(Note) On February 9, 2023, the Board of Directors resolved to make a tender offer for the Company’s common stock. An outline of the tender offer is as follows:

Period of the Tender Offer: From February 10, 2023 (Friday) to March 10, 2023 (Friday) (20 business days)

Tender Offer price: 1,236 yen per share

Number of shares to be purchased: 40,453,074 shares

Commencement date of settlement: April 4, 2023 (Tuesday)

(3) Description of Acquisition Other than by Resolutions of General Meetings of Shareholders or Board of Directors

Classification	Number of shares (shares)	Total price (Yen)
Treasury stock acquired in the current fiscal year	—	—
Treasury stock acquired during the current period	76	106,248

(Note) The treasury stock acquired during the current period does not include the number of shares resulting from the purchase of Shares Constituting Less Than One Unit from March 1, 2023 to the filing date of this Annual Securities Report.

(4) Status of Process and Holding of Acquired Treasury Stock

Classification	Current fiscal year		Current period	
	Number of shares (shares)	Total amount of disposal price (Yen)	Number of shares (shares)	Total amount of disposal price (Yen)
Acquired treasury stock for which subscribers were solicited	-	-	-	-
Acquired treasury stock cancelled	-	-	-	-
Acquired treasury stock transferred due to mergers, share exchanges, share grants, and company splits	-	-	-	-
Others (disposal of treasury stock due to the exercise of stock acquisition rights and vesting of stock units granted by the stock compensation plan)	161,485,586	6,111,837,601	1,185,044	817,627,232
Number of treasury stock owned	161,485,586	-	160,303,199	-

(Note) The treasury stock acquired during the current period does not include the number of shares of treasury stock acquired through other means (disposal of treasury stock due to the exercise of stock acquisition rights and vesting of stock units granted by the stock compensation plan) from March 1, 2023 to the filing date of this Annual Securities Report

3. Dividend Policy

The Company distributes part of its earnings to shareholders in the form of dividends, while appropriating retained earnings for the research and development of new products and capital expenditures, and maintaining a durable financial structure capable of generating high earnings to maximize enterprise value. For each dividend period, payment determinations are made with consideration of consolidated and non-consolidated income surplus, consolidated income, forecast for income for the next and future periods, and cash flow status.

The Company's basic policy is to pay dividends twice a year, i.e. interim and fiscal year-end dividends. The decision-making body of the distribution of surplus is the ordinary general meeting of shareholders in the case of the year-end dividends, and the Board of Directors in the case of interim dividends. The Company's Articles of Incorporation provide that "the Company may, by a resolution of the Board of Directors, make interim dividends of which record date is as of June 30 of each year".

The Company decided to pay no dividends for the current fiscal year (21st fiscal year). By allocating internal reserves to strategic investment opportunities to survive in global competition in response to rapid changes in the environment, we are working to increase shareholder returns by improving corporate value. On the other hand, as a policy related to the allocation of management resources and capital, the Company positions the return of profits to shareholders as one of the important measures along with strategic investment. In the current fiscal year, the Company implemented a return of profits to shareholders in the form of share buybacks in response to growing interest from shareholders in returning profits to shareholders and confirmation that we have established the necessary financial base.

For the 22nd fiscal year, both interim and year-end dividends are undecided at this time and will be disclosed as soon as they are determined.

4. Status of Corporate Governance and Related Matters

(1) Summary of Corporate Governance

① Basic Policy on Corporate Governance

Based on the following Corporate Governance Policy, the Group strives to be a company that is trusted by society by maintaining sound relationship with any and all stakeholders including local communities, customers and business partners in order to fulfill our social responsibility as a company.

<Corporate Governance Policy>

Based on our "Purpose", "To Make Our Lives Easier", we are committed to build a sustainable future where technology helps make our lives easier by developing a safer, healthier, greener, and smarter world to provide intelligence to our four focus growth segments: Automotive, Industrial, Infrastructure, and IoT. To achieve our Purpose, we aim to respond flexibly to changes, solve issues, and continue to create value in a sustainable way based on the "Renesas Culture", a guideline of conduct for all of our activities, behavior and decision-making, which consists of five elements. Based on Renesas Culture, we aim for continuous growth and enhancement of corporate value over the med- to long-term. In addition, we aim to co-exist and co-prosper with every stakeholder in order to create long-term sustainable value as a responsible global company. In order to achieve this, we must thrive in the rapidly-changing, competitive global semiconductor marketplace, and continue to satisfy the expectations of all of our stakeholders and to grow with profit expansions. We will continue to solidify our business foundation as a global semiconductor company by honing technological advancement as well as supplying excellent semiconductor products and optimized solutions through elaborate marketing and sales activities. We recognize the importance to build a corporate governance structure and system that enables transparent, fair, quick and resolute decision-making. We will remain committed to enhance our corporate governance structure and system through various measures such as communication and cooperation with our stakeholders including shareholders, appropriate information disclosure, ensuring appropriate delegation of authority and highly effective oversight functions.

[Our Purpose] To Make Our Lives Easier

The Group continuously strive to drive innovation with a comprehensive portfolio of microcontrollers, analog and power devices. Our mission is to develop a safer, healthier, greener, and smarter world by providing intelligence to our four focus growth segments: the Automobile Business and the Industrial/Infrastructure/IoT Business that are all vital to our daily lives, meaning our products and solutions are embedded everywhere.

[Renesas Culture]

<Transparent>

The leadership team's strategy and policy, the company's current situation, as well as the issues and thoughts of each business organization should be well understood among employees. This is also tightly connected to the "Agile" and "Entrepreneurial" elements described below, and we believe it is fundamental for the success of every individual and organization.

<Agile>

In order to respond to changes in a timely manner, it is necessary to identify the likely outcomes and implications as quickly as possible, make decisions quickly, and rapidly take or correct actions. We must recognize situations, make decisions and act at a high velocity. When a follow-up regarding a task is made from inside and outside the company, employees should understand they are not being "Agile".

<Global>

Not only the markets that we operate in, but also our customers and our competitors are global, and in order to thrive in this global environment, it is essential for us to have a global perspective. It is true we need better language skills, but there are many other simple steps we can take to facilitate communication, such as organizing discussion agenda, issues, alternative solutions in advance. In particular, numbers are useful as words. Whenever possible, use numbers and data to communicate, and try to share information more smoothly.

<Innovative>
In order for Renesas to provide "Innovative" technologies and products and continue to create sustainable social value, it is essential to practice "Innovative" way of conducting business and of thinking. Each and every one of our employees should embody "Innovation" using their imagination and creativity to improve their work and contribute to the realization of a better society.

< Entrepreneurial>
Individual employees should act professionally, voluntarily, and independently as if they are "running their own business" and are responsible for the results they deliver. Based on our strategies and policies as a company, we aim to develop employees who can think freely and create new value, without being constrained by existing concepts.

② Corporate Governance Structure and Reasons for Adoption of the Structure

(a) The Company recognizes the importance of operating business efficiently and ensuring the soundness and transparency of management in order to continuously increase corporate value. The Company is working to improve its management system and implement various measures to enhance corporate governance.

(b) The Company is a company with Board of Corporate Auditors, and has established a corporate governance system in which Corporate Auditors audit the execution of duties by Directors. The full-time Corporate Auditor, who has business knowledge and experience, effectively collects high-quality information while cooperating with the Accounting Auditor, the Internal Audit Office, which is the internal audit department, and other related divisions. The Board of Corporate Auditors, including highly independent Outside Corporate Auditors, objectively analyzes this information from various perspectives, therefore, the Company believes that this system is well-functioning and suitable for the Company's corporate governance.

(c) The Board of Directors is composed of 5 Directors, including 4 Outside Directors, who are appointed based on their expertise, experience, and diversity. In principle, the Board of Directors meets regularly once every 3 months, and extraordinary meetings are held as needed. The Board of Directors makes important management decisions flexibly and promptly, and supervises the execution of duties by Directors. The functions and roles of the Company's Outside Directors are to supervise and check whether or not the execution of duties by other Directors is appropriate, and to participate in management decision-making from an external perspective by utilizing their knowledge, experience, insight, etc. cultivated from their own backgrounds.

	Management Strategy	Leadership	Risk Management	Legal	Finance	Sastainability	International Business	Semicondctor, Technology, DX
Hidetoshi Shibata	●	●			●		●	●
Jiro Iwasaki	●	●	●				●	
Selena Loh Lacroix				●		●	●	●
Noboru Yamamoto		●	●		●	●	●	
Takuya Hirano	●	●					●	●

(d) The Board of Corporate Auditors is composed of 4 Corporate Auditors, including 3 Outside Corporate Auditors (1 of whom is a Full-time Corporate Auditor). In principle, the Board of Corporate Auditors meets once every 3 months and extraordinary meetings are held as needed. The Board of Corporate Auditors decides auditing policies and other matters, and receives reports from each Corporate Auditor on the status of audits and other matters. With respect to two of the Corporate Auditors, both are lawyers and they are also independent Outside Corporate Auditors. In addition, one of the Corporate Auditor has considerable knowledge of finance and accounting.

(e) The Company has introduced the Executive Officer System to clarify responsibility for business execution and accelerate decision-making related to business execution. The Board of Directors decides on matters that Executive Officers should be responsible for, and delegates appropriate authority in accordance with the Basic Rules of Ringi Approval.

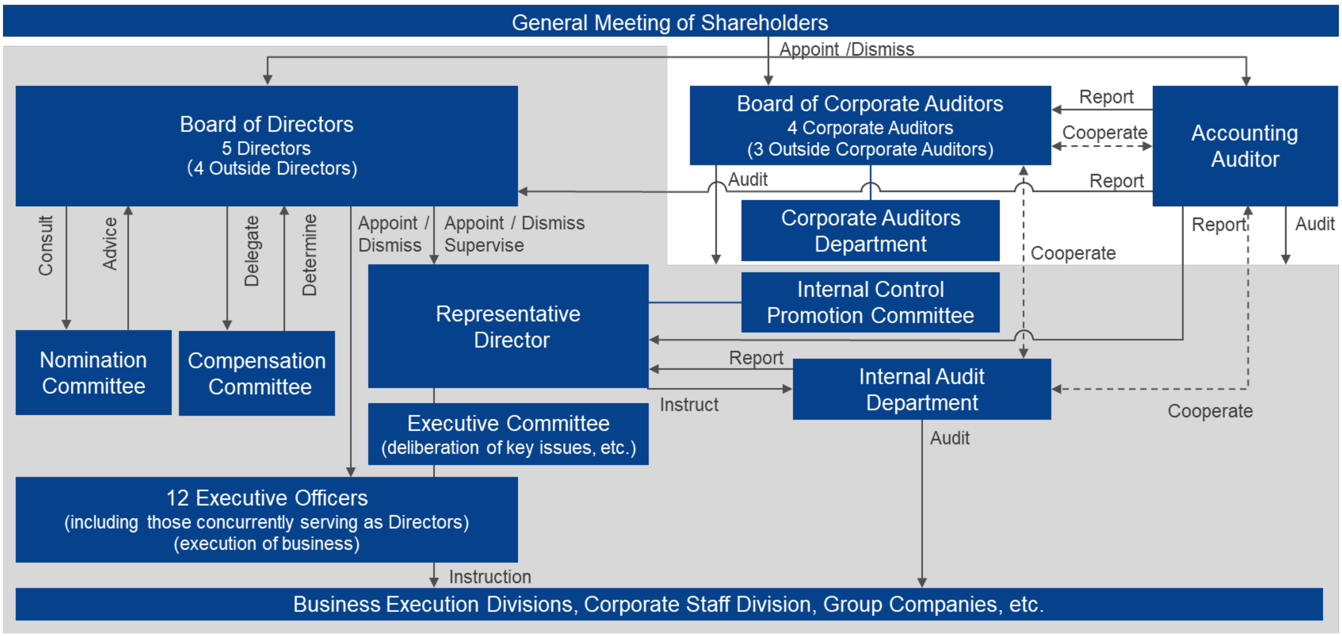
(f) The Company has established a non-statutory Compensation Committee to improve the transparency and fairness of compensation for the Company's Directors, Executive Officers. The Compensation Committee consists of a total of 4 members: 2 independent Outside Directors, 1 independent Outside Corporate Auditor and 1 internal Director. In response to consultation by the Board of Directors, the Committee reports on matters concerning compensation for Directors and Corporate Auditors, which are to be submitted to the General Meeting of Shareholders, as well as on the compensation systems and compensation levels for Directors and Executive Officers.

(g) The Company has established a non-statutory Nomination Committee to improve transparency and fairness in the election and dismissal of Directors and the formulation of succession plans regarding the Chief Executive Officer. The Nomination Committee is composed of 4 independent Outside Directors. In response to consultation by the Board of Directors, the Committee reports on matters related to the election and dismissal of Directors and the formulation of succession plans regarding the Chief Executive Officer, and monitors the progress of the succession plans.

(h) The Company strives to enhance deliberations on matters to be submitted to the Board of Directors. In principle, the Executive Committee, which is composed of full-time Directors, Executive Vice Presidents and Senior Vice Presidents, discusses important matters prior to discussion by the Board of Directors, in order to enhance the Board's deliberation, except for those matters that do not require preliminary deliberation.

(i) The Board of Directors has established a basic policy for the development of the systems stipulated in Item 6 of Paragraph 4 of Article 362 of the Companies Act and Paragraphs 1 and 3 of Article 100 of the Enforcement Regulations of the Companies Act (including the system to ensure appropriate operation of the Group), and the Company periodically holds meetings of the Internal Control Promotion Committee, which is composed of, among others, the President and CEO, the Executive Officer responsible for internal controls, and the Executive Officer responsible for administrative divisions. The Committee deliberates, proposes, and promotes the Group internal control issues, policies and other matters as stipulated in the Companies Act and the Financial Instruments and Exchange Act. For information on this committee, please refer to "③ Status of Development of Internal Control System and Risk Management System".

The contents of the previous page are shown in the diagram below.



③ Status of Development of Internal Control System and Risk Management System (including Status of Development of System to Ensure Appropriate Operation of Company's Subsidiaries)

(a) Basic policy on, and status of, internal control system

The Board of Directors has resolved the basic policy for the development of the system (internal control system) stipulated in Item 6 of Paragraph 4 of Article 362 of the Companies Act and Paragraphs 1 and 3 of Article 100 of the Enforcement Regulations of the Companies Act, and has established the system based on this basic policy. This basic policy is as shown on the Company's website (https://www.renesas.com/us/en/about/company/sustainability/governance) and an outline is as follows:

<Systems necessary to ensure that the execution of duties by Directors, Executive Officers and employees ("Members") complies with laws and regulations and Company's Articles of Incorporation>

- The Directors shall take the lead in complying with the "Renesas Electronics CSR Charter" and the "Renesas Global Code of Conduct" that have been adopted for the purpose of establishing corporate ethics and ensuring compliance with laws and regulations, the Articles of Incorporation and internal rules of the Company by Members. The Directors shall keep the Members of the Company and its subsidiaries (collectively, the "Group") informed of such rules, and shall have the Group comply with them.
- The Directors shall stipulate basic matters such as the compliance management framework and education activities in the "Global Rule for Compliance Management within the Renesas Group", oversee the deliberation and resolution of compliance matters at the "Internal Control Promotion Committee", and shall ensure training is conducted for the Group to be fully aware of compliance.
- The Directors shall set up the "Renesas Electronics Group Hotline" as a whistleblowing contact point for the Group and its business partners to report violations or possible violations of compliance. The Directors shall ensure the Group and its business partners are informed that the Company will ensure the anonymity of reporters who wish to remain anonymous and that reporters will not be adversely affected as a result of their report.
- The Directors shall keep away from any antisocial force, shall work closely with external specialized institutions, and shall act resolutely in an organized manner when contacted by it.

<Systems for properly preserving and managing information related to execution of duties by Directors>

- The Directors shall properly prepare, preserve and manage minutes of the General Meetings of Shareholders, Meetings of Board of Directors and other documents in accordance with applicable laws and regulations. The Directors shall also properly prepare, preserve and manage other documents, books and records pertaining to the duties of Members in accordance with the "Basic Rule of Document Management and Retention".

<Rules and other systems regarding risk management for loss>

- The Directors shall stipulate basic matters of risk management in the Company's "Global Rule for Risk and Crisis Management within the Renesas Group", and shall establish a risk management framework in accordance with the rules.
- The Executive Officers and division managers responsible for classified risk shall strive to minimize loss by developing prevention measures against risk materialization and by developing countermeasures in case of risk materialization.
- In the event of a serious risk materializing, the Executive Officers shall, depending on the level of importance, establish an appropriate taskforce chaired by themselves, and shall implement appropriate measures in accordance with the "Global Rule for Risk and Crisis Management within the Renesas Group".
- The Directors shall evaluate, maintain and improve the internal control status related to financial reports of the Group in accordance with applicable domestic and foreign laws and regulations such as the Financial Instruments and Exchange Act.

<Systems for ensuring efficient execution of duties by Directors>

- The Directors shall hold an ordinary Board of Directors meeting once every 3 months and extraordinary meetings as needed for the sake of quick decision-making.
- The Directors shall adopt an Executive System, make prompt decisions on important management issues at the Board of Directors meeting, and supervise the execution of duties by Executive Officers. Important issues for the Company's management shall be discussed at the Executive Committee prior to the Board of Directors meeting in order to enhance the Board's deliberations.
- Executive Officers (including Executive Officers who also act as Directors) shall make expedient decisions for business operation by delegating authority to the relevant general managers or other employees. The Executive Officers, the relevant general managers and other employees shall execute their authority properly and efficiently in accordance with the "Basic Rules of Ringi Approval".
- Executive Officers (including Executive Officers who also act as Directors) shall execute their duties promptly and efficiently in accordance with office routine regulations determined by the Board of Directors, and shall periodically confirm the status of execution of management plans and the budget determined at a Board of Directors meeting.

<Systems necessary to ensure appropriate operation of the Group>

- The Directors shall guide and support the Company's subsidiaries to establish a Group-wide compliance system in accordance with the "Renesas Electronics CSR Charter", "Renesas Global Code of Conduct" and "Global Rule for Compliance Management within the Renesas Group".
- The Directors shall constantly oversee, guide and support through the divisions responsible for the business operations, and ensure periodic reporting of matters relating to the execution of duties by subsidiary directors, in accordance with the "Basic Rules for Management and Operation of Related Companies, etc.".
- The Directors shall, through a division responsible for risk management, have the Company's subsidiaries establish rules for risk and crisis management, and make contact lists and action plans to be used in an emergency.
- The Directors shall, through the Internal Control Promotion Committee, etc., establish Group-wide shared decision-making rules and policies on Group governance.
- The Directors shall have Internal Audit Office audit the Group, and shall have principal subsidiaries allocate internal auditing staff or divisions and cooperate with the Internal Audit Office and the subsidiaries' own Corporate Auditors to ensure appropriate operations of the Group.

<Matters relating to employees assigned to assist Corporate Auditors and independence of such employees from Directors>

- The Directors shall establish the Corporate Auditors Office composed of specialized staff for the purpose of assisting the Corporate Auditors' audit activities. Any evaluation, personnel transfer, reprimand and the like of such specialized staff shall require prior consultation with the full-time Corporate Auditors, and such staff shall not be directed or supervised by the Directors for duties to assist the Corporate Auditors.

<Systems for Members of the Group, corporate auditors of the Company's subsidiaries etc. to report to Corporate Auditors and systems to ensure to prevent adverse treatment to the persons who reported to Corporate Auditors >

- Members of the Group shall, upon requests from the Corporate Auditors, report to the Corporate Auditors on matters such as the execution of their duties.
- Internal Audit Office shall submit the internal audit report for the Group to Corporate Auditor, and report the results of the internal audit to the Meeting of Board of Directors where Corporate Auditor attends.

- Internal Control Promotion Committee shall periodically report to Corporate Auditor the situation of the matters reported to “Renesas Electronics Group Hot Line” by Member.
- The Company prohibits adverse treatment to the Member of the Group and corporate auditors of the Company’s subsidiaries who reported to Corporate Auditors for the reason that they reported so, and clearly state these rules in “Basic Rules of Renesas Electronics Group Hot Line” and on the Company’s intranet.

<Procedures for the advance payment or reimbursement of the expenditure which occurs in connection with the execution of Corporate Auditor’s duties, and policies on the treatment of cost, expenditure and obligations which occurs in connection with the execution of Corporate Auditor’s duties.>

- Upon the Corporate Auditor’s request for the advance payment of the expenditures, etc., the Company shall bear cost, expenditure and payables except for the case it is proved that such cost, expenditure and payables are not necessary to execute the Corporate Auditor’s duties.

<Other systems necessary to ensure effective auditing by Corporate Auditors>

- The Corporate Auditors shall attend Meetings of the Board of Directors, and may attend important meetings of the Company as they deem necessary. Furthermore, the Directors shall guarantee the right of Corporate Auditors to access important corporate information.
- The Corporate Auditors shall hold a Meetings of Board of Corporate Auditors in principle once each 3-months, and shall exchange information and deliberate on the status of audits and related matters. The Corporate Auditors also shall receive regular reports from Accounting Auditors on their audit activities, and shall exchange opinions on them.

(b) The Internal Control Promotion Committee, which is composed of, among others, the President and CEO, the Executive Officer responsible for internal control, and the Executive Officer responsible for administrative divisions, meets once every 2 months in principle to oversee PDCA cycle for internal control-related operations at the Group and to investigate the causes of significant violations of compliance related to the internal control system and to discuss and consider measures to prevent recurrence.

④ Number of Directors

The Articles of Incorporation stipulate that the Company shall have no more than 15 Directors.

⑤ Resolution Requirements for Election and Dismissal of Directors

The Articles of Incorporation of the Company stipulates that a resolution electing Directors shall be adopted by a majority of votes of the shareholders present at a general meeting of shareholders at which shareholders representing not less than one-third of the voting rights of shareholders entitled to exercise their voting rights are present, and that the resolution shall not be made by cumulative voting.

⑥ Requirements for Special Resolutions at General Meetings of Shareholders

The Company stipulates in its Articles of Incorporation that special resolutions required at General Meetings of Shareholders provided for in Paragraph 2 of Article 309 of the Companies Act shall be passed by not less than two-thirds of votes of shareholders present at a general meeting at which shareholders having not less than one-third of the total number of voting rights of shareholders entitled to exercise their voting rights are present. The purpose of this provision is to expedite the proceedings at the General Meeting of Shareholders by relaxing the number of shareholders present required for special resolutions at the General Meeting of Shareholders.

⑦ Matters to Be Resolved at Shareholders Meetings that Can Be Resolved at Meetings of the Board of Directors

The Articles of Incorporation stipulates that the Company may acquire its own shares in accordance with the provisions of Paragraph 2 of Article 165 of the Companies Act and pay interim dividends in accordance with the provisions of Paragraph 5 of Article 454 of the Companies Act, by a resolution of the Board of Directors.

The purpose of these provisions is to enable the Company to acquire its own shares and pay interim dividends more flexibly in response to changes in the business environment.

In addition, the Company has stipulated in its Articles of Incorporation that the Company may, pursuant to the provision of Paragraph 1 of Article 426 of the Companies Act, release the Directors (including those who had been Directors) and the Corporate Auditors (including those who had been Corporate Auditors) of their liability for damages arising from negligence of their duties by a resolution of the Board of Directors, to the extent permitted by the applicable laws and regulations, in order to enable Directors and Corporate Auditors to fully play their expected roles.

⑧ Summary of the Limited Liability Agreement

The Company has entered into agreements with Outside Directors and Outside Corporate Auditors that limit their liability for damages as set forth in Paragraph 1 of Article 423 of the Companies Act. The maximum amount of liability for damages under such agreements is the minimum amount of liability as set forth in Paragraph 1 of Article 425 of the same Act pursuant to the Company’s Articles of Incorporation.

(2) Status of Directors and Corporate Auditors Board Members

① List of Directors and Corporate Auditors Board Members

Men: 6 persons, Women: 3 persons (Percentage of women among directors and corporate auditors board members: 33.3%)

As of March 30, 2023

Position and Title	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Important Concurrent Positions		Term of office	Number of Company's Shares Held
Representative Director (President and CEO)	Hidetoshi Shibata (November 16, 1972)	April 1995 August 2001 August 2004 October 2007 September 2009 June 2012 October 2013 November 2013 June 2016 March 2018 July 2019	Joined Central Japan Railway Company Joined MKS Partners Limited as Principal Partner, MKS Partners Limited Joined Global Private Equity, Merrill Lynch Japan Securities Co., Ltd. (currently, BofA Securities Japan Co., Ltd.) as Managing Director Joined Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation) as Managing Director Executive Managing Director, Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation) Member of the Board, the Company Executive Vice President, Member of the Board and CFO, the Company Executive Vice President and CFO, the Company Executive Vice President, Member of the Board and CFO, the Company Representative Director, President and CEO, the Company (present)	(Note 1)	340,000
Director	Jiro Iwasaki (December 6, 1945)	April 1974 June 1996 June 1998 June 2006 March 2008 June 2009 March 2011 April 2011 March 2015 March 2016 June 2016	Joined Tokyo Denki Kagaku Kogyo K.K. (currently, TDK Corporation) Director, General Manager of Human Resources, TDK Corporation Director and Senior Vice President, Executive Officer of Recording Media & Solutions Business Group, TDK Corporation Director and Executive Vice President, Senior Executive Officer of Administration Group, TDK Corporation Audit and Supervisory Board Member, GCA Savvian Corporation (currently, HOULIHAN LOKEY Corporation) Director and Senior Vice President, Executive Officer of Strategic Human Resources and Administration Division, JVC KENWOOD Holdings, Inc. (currently, JVC KENWOOD Corporation) Audit and Supervisory Board Member, SBS Holdings, Inc. Professor at Teikyo University, Faculty of Economics/Department of Business Administration Outside Director, SBS Holdings, Inc. (present) Outside Director (Full-time Audit and Supervisory Committee Member), GCA Savvian Corporation (currently, HOULIHAN LOKEY Corporation) Outside Director, the Company (Part-time; present)	(Note 1)	—

Position and Title	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Important Concurrent Positions		Term of office	Number of Company's Shares Held
Director	Selena Loh Lacroix (November 18, 1964)	1988	Joined a Singaporean law firm as an associate	(Note 1)	44,322
		August 1992	Joined Gray Cary Ware & Freidenrich LLP (now DLA Piper) as an associate		
		June 1995	Senior Counsel, Texas Instruments Incorporated		
		December 2004	Vice President & General Counsel, Asia Pacific, Honeywell International Inc.		
		May 2010	Global Semiconductor Practice Leader & Global Legal, Regulatory and Compliance Practice Leader, Egon Zehnder		
		December 2016	Member of Board of Directors, Integrated Device Technology, Inc. (Part-time; resigned March 2019)		
		June 2017	Global Technology & Communication Practice Leader, Egon Zehnder		
		November 2017	Board Member, National Association of Corporate Directors - North Texas Chapter (Part-time; present)		
		December 2019	Vice Chair, Technology Practice, Korn Ferry (present)		
		March 2020	Outside Director, the Company (Part-time; present)		
Director	Noboru Yamamoto (November 21, 1962)	April 1986	Joined Mazda Motor Corporation	(Note 1)	—
		May 1989	Joined Daiwa Securities Co. Ltd.		
		February 2002	Joined PricewaterhouseCoopers Financial Advisory Service Ltd. (currently, PwC Advisory LLC) as Managing Director		
		April 2003	Joined Lazard Frères K.K. as Managing Director		
		October 2006	Joined Nikko Citi Group Securities Co., Ltd. (currently, Citigroup Global Markets Japan Inc.), Investment Banking Unit, as Managing Director		
		November 2011	Joined BNP Paribas, Tokyo Branch, Investment Banking Division, as Co-head		
		June 2016	Outside Director, Hitachi Koki Co., Ltd. (currently, Koki Holdings Co., Ltd.) (present)		
		September 2016	Representative Director, Representative Partner & CEO, XIB Capital Partners, Inc. (present)		
		January 2017	Senior Advisor, CLSA Capital Partners K.K. (present)		
		March 2018	Outside Director, Tsubaki Nakashima Co., Ltd. (present)		
			Outside Corporate Auditor, the Company (part-time)		
		March 2020	Outside Director, the Company (Part-time; present)		
		January 2023	Senior Advisor, Bain & Company Japan, Inc. (present)		

Position and Title	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Important Concurrent Positions		Term of office	Number of Company's Shares Held
Director	Takuya Hirano (August 11, 1970)	December 1995	Joined Kanematsu USA	(Note 1)	—
		February 1998	Joined Hyperion Solutions Corporation (currently, Oracle Corporation)		
		February 2001	President, Hyperion Solutions Japan		
		August 2005	Senior Director, Business & Marketing Division, Microsoft Co., Ltd. (currently, Microsoft Japan Co., Ltd.)		
		February 2006	General Manager, Enterprise Service, Microsoft Co., Ltd.		
		July 2007	General Manager, Enterprise Business & Enterprise Service, Microsoft Co., Ltd.		
		March 2008	General Manager, Enterprise Business, Microsoft Co., Ltd.		
		September 2011	General Manager, Multi-country, Microsoft Central and Eastern Europe		
		July 2014	Executive Vice President, Marketing & Operations, Microsoft Japan Co., Ltd.		
		March 2015	Representative Officer, Executive Deputy President, Microsoft Japan Co., Ltd.		
		July 2015	President, Microsoft Japan Co., Ltd.		
		September 2019	Vice President, Global Service Partner Business, Microsoft Corporation		
		March 2022	Director, Japan Professional Football League (J. LEAGUE) (part-time; present)		
		June 2022	Outside Director, Yokogawa Electric Corporation (present)		
		October 2022	Outside Director, Yayoi Co., Ltd. (present)		
		March 2023	Outside Director, the Company (Part-time; present)		

Position and Title	Name (Date of Birth)	Brief Employment History, Position, Responsibility and Important Concurrent Positions	Term of office	Number of Company's Shares Held
Corporate Auditor (Full time)	Kazuki Fukuda (November 15, 1950)	April 1974 Joined NEC Corporation April 2000 Department Manager, Finance Systems & Finance Affairs Office, Corporate Finance & Controller Division, NEC Corporation December 2000 Senior Vice President, NEC (China) Co., Ltd. July 2005 Associate Senior Vice President, NEC Soft, Ltd. (currently, NEC Solution Innovators, Ltd.) June 2010 Resigned as Associate Senior Vice President, NEC Soft, Ltd. June 2010 Corporate Auditor, NEC Mobiling, Ltd. (currently, MX Mobiling Co., Ltd.) June 2012 Outside Corporate Auditor (full time), the Company March 2020 Corporate Auditor, the Company (full time; present)	(Note 4)	4,500
Corporate Auditor	Kazuyoshi Yamazaki (July 19, 1949)	April 1983 Registered as an Attorney-at-Law April 1987 Managing Partner, Yamazaki Law Office (present) June 2004 Statutory Auditor, KENKO Mayonnaise Co., Ltd. April 2008 Vice President, Daiichi Tokyo Bar Association June 2014 Outside Corporate Auditor, the Company (part-time; present) April 2015 Executive Governor, Japan Federation of Bar Associations March 2020 Outside Director, Nisul Co., Ltd. (present) Outside Director, REGAO Co., Ltd. (present) Outside Corporate Auditor, SEIBUNDO SHINKOSHA Publishing Co., Ltd. (present) March 2022 Outside Corporate Auditor, the Company (part-time; present)	(Note 2)	—
Corporate Auditor	Tomoko Mizuno (September 1, 1970)	July 1994 Joined Bain & Company Japan, Inc. September 2001 Joined Eli Lilly & Company as Marketing Associate January 2003 Joined Eli Lilly Japan K.K. as Senior MR June 2005 Joined Novartis Pharma K.K. as Brand Manager, New Product Planning January 2009 Group Manager, Equa Marketing Group, Novartis Pharma K.K. April 2011 Joined MSD K.K. as Brand Leader, Gardasil Marketing Group April 2013 Joined Japan Automatic Machine Co., Ltd. as Director (present) March 2021 Outside Corporate Auditor, the Company (part-time; present)	(Note 3)	—
Corporate Auditor	Miya Miyama (June 13, 1972)	October 2002 Prosecutor. Served several posts, including District Public Prosecutors Office in Tokyo, Chiba, Okayama, Osaka, and Saitama. July 2016 Retirement as a Prosecutor Registered as a lawyer, joined City-Yuwa Partners (present) May 2018 Outside Director and Audit and Supervisory Committee Member, RoomClip, Inc. April 2020 Vice Chair, Gender Equality Committee of Kanto Federation of Bar Associations (present) June 2020 Auditor, Japan International Cooperation System (present) June 2021 Outside Director, Totetsu Kogyo, Co., Ltd. (present) March 2022 Outside Corporate Auditor, the Company (part-time; present)	(Note 2)	—
Total				388,822

(Note) 1. The term of office shall expire at the conclusion of the Annual General Shareholders' Meeting for the last business year that ends within one (1) year after the conclusion of the Annual General Shareholders' Meeting held on March 30, 2023.

2. The term of office shall expire at the conclusion of the Annual General Shareholders' Meeting for the last business year that ends within four (4) years after the conclusion of the Annual General Shareholders' Meeting held on March 30, 2022.

3. The term of office shall expire at the conclusion of the Annual General Shareholders’ Meeting for the last business year that ends within four (4) years after the conclusion of the Annual General Shareholders’ Meeting held on March 31, 2021.
4. The term of office shall expire at the conclusion of the Annual General Shareholders’ Meeting for the last business year that ends within four (4) years after the conclusion of the Annual General Shareholders’ Meeting held on March 27, 2020.
5. Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto and Mr. Takuya Hirano are outside Directors, as stipulated in Item 15, Article 2 of the Companies Act.
6. Mr. Kazuyoshi Yamazaki, Ms. Tomoko Mizuno and Ms. Miya Miyama are outside Corporate Auditors, as stipulated in Item 16, Article 2 of the Companies Act.
7. The Company adopts an executive officer system. Executive officers who do not concurrently hold Director posts as of the filing date are as follows:
   Sailesh Chittipeddi, Hiroto Nitta, Shinichi Yoshioka, Chris Allexandre, Roger Wendelken, Shuhei Shinkai, Takeshi Kataoka, Vivek Bhan, Eizaburo Shono, Andrew Cowell, Julie Pope

② Outside Directors and Outside Corporate Auditors

(a) Appointment of Outside Directors and Outside Corporate Auditors

The Company appoints 4 Outside Directors (out of 5 Directors) and 3 Outside Corporate Auditors (out of 4 Corporate Auditors) who have a great variety of experience and expertise to proactively incorporate outside perspective and multilaterally deal with management issues. Further, aiming for obtaining appropriate and objective advice to improve its business performance and corporate governance, the Company has notified the following Directors and Corporate Auditors to the Tokyo Stock Exchange as Independent Executives: Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto, and Mr. Takuya Hirano (Outside Directors), and Mr. Kazuyoshi Yamazaki, Ms. Tomoko Mizuno, and Ms. Miya Miyama (Outside Corporate Auditors).

(b) Functions and Roles of Outside Directors and Outside Corporate Auditors

Mr. Jiro Iwasaki, an Outside Director, has served as a director at multiple companies for a long time and thus possesses management experience in electrical and electronic components businesses. He currently serves as an outside director at other companies. Based on his abundant knowledge, experience and deep insight cultivated through such experience, he demonstrates supervising and monitoring capabilities on the overall management of the Company. Since November 2018, he has led the activities of the voluntary Nomination Committee, including deliberation of selection of candidates of Directors, as the chair of that Committee.

Ms. Selena Loh Lacroix, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, based on her global insight in the fields of corporate legal, corporate governance and human resources gained through extensive experiences in the semiconductor industry and several other industries, and from the perspective of promoting diversity. Since April 2020, she has led the activities of the voluntary Compensation Committee, including deliberation of the compensation policy for Directors and Executive Officers, as the chair of that Committee.

Mr. Noboru Yamamoto, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, based on the abundant knowledge, experience and achievements cultivated through years of management experience in the global finance and security industry and representative for M&A advisory companies. in 2022, he has led the supervising and monitoring activities by the Board of Directors regarding the enhancement of the Company’s ESG activities as the ESG Sponsor of the Board of Directors.

Mr. Takuya Hirano, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, in particular based on his abundant insights in the technology field, business transformation and cross-cultural leadership, cultivated through years of management experiences of multiple leadership positions in Japan and other regions at Microsoft Corporation, a global IT company which achieved successful business transformation from packaged software to cloud computing services. Based on those wealth of insight, the Company expect him to serve as a supervisor and check on the overall management of the Company.

Mr. Kazuyoshi Yamazaki, an Outside Corporate Auditor, has expertise, abundant experience and deep insight cultivated through many years of practical work as a lawyer. He demonstrates auditing capabilities concerning the overall management of the Company from an independent and a fair standpoint and from a legal perspective.

Ms. Tomoko Mizuno, an Outside Corporate Auditor, has abundant knowledge, experience and deep insight in corporate planning, human resources, etc., cultivated through her business operations in the machinery industry and her work experience at global consulting firms and pharmaceutical companies. Based on such experience, she demonstrates auditing capabilities on the overall management of the Company.

Ms. Miya Miyama, an Outside Corporate Auditor, as a lawyer, has specialized knowledge, extensive experience, and a high degree of insight in the legal field centered on corporate crisis management. she demonstrates as an independent and impartial audit function on the Company's overall management from a legal standpoint.

(c) Relationship with Outside Directors and Outside Corporate Auditors

There is no personal, financial, or business relationship or other special interested relationship between the Company and any companies where Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto or Mr. Takuya Hirano Outside Directors, or Mr. Kazuyoshi Yamazaki, Ms. Tomoko Mizuno or Ms. Miya Miyama, Outside Corporate Auditors, holds any position.

(d) Overview of Standards for determining the Independence of Outside Officers

To ensure that our corporate governance is conducted with the appropriate level of objectivity and transparency, we have established the Standards for determining the Independence of Outside Officers, which are standards for determining whether Outside Directors and Outside Corporate Auditors (“Outside Officers” under this section (d)) are sufficiently independent, i.e., whether there is no possibility for a conflict of interest with the Company.

Accordingly, only individuals who meet the requirements of the Companies Act and the independence standards set forth by the Tokyo Stock Exchange and who do not fall under any of the following categories are considered to be sufficiently independent to serve as our Outside Officers.

For the purpose of the categories, “Officers” means directors, executive officers, corporate auditors, or persons in positions equivalent to these under the laws and regulations of each country. “Officers and Employees” means Officers and employees (including Executive Officers).

1. Business relationship as an Important Customer of the Company:
   The Outside Officer is an Officer or Employee of an important customer of the Company.
2. Business relationship where the Company is an Important Customer of the Business Partner:
   The Outside Officer is an Officer or Employee of a business partner of which the Company is an important customer.
3. Business relationship as an Important Fund Provider:

The Outside Officer is an Officer or Employee of a financial institution or other fund provider.

4. Business relationship providing Professional Services:
The Outside Officer provides, or is an Officer or Employee of an organization that provides, professional services (including, but not limited to, accounting, legal, consulting services) to the Company.
5. Capital relationship as a Major Shareholder or Investee:
・The Outside Officer either holds, or is an Officer or Employee of an organization which holds, directly or indirectly, 10% or more of the total shareholder voting rights of the Company;
・The Company or its subsidiaries are among the major shareholders or investors (holding 10% or more of the total shareholder voting rights or total investment) of the organization in which the Outside Officer serves as an Officer.
6. Other significant relationship as an Employee:
The Outside Officer is an Employee of the Company or its subsidiaries.
7. Other significant relationship as Accounting Auditor:
The Outside Officer is an Employee or partner of the Company's Accounting Auditor, or a member of the Company's Accounting Auditor in charge of conducting an accounting audit of the Company.
8. Other significant relationship as the recipient of a Donation:
The Outside Officer has received donations from the Company or its subsidiaries in excess of 10 million yen in any of the past three years, or is an Officer or Employee of an organization that has received such donations.
9. Other significant relationship as a Close Relative:
The Outside Officer is the spouse, relative within two degrees of kinship, or living in the same household as persons having management control of the Company (senior vice president level or above).
Categories 1 through 5, 7 and 8, apply to those persons who meet said criteria at any given point in the past three years; Category 6 applies to those persons who meet said criteria at any given point in the past ten years.

Based on above, the Company has registered 4 outside Directors and 3 outside Corporate Auditors to the Tokyo Stock Exchange as Independent Executives.

(e) Cooperation between Outside Directors and Outside Corporate Auditors and Internal, Corporate Auditors and Accounting Audits, and Relationship with Internal Control Divisions

The Company does not have a dedicated staff to support Outside Directors, but the staff members of the Legal Division and other employees provide support in a timely manner.

The Company has assigned a number of full-time staff members of the Corporate Auditors Office to support the Outside Corporate Auditors in executing their duties. In addition, on the Board of Corporate Auditors, the information on auditing activities is shared among Corporate Auditors. To that end, the full-time Corporate Auditor explains the Company's management trends and reports on auditing activities, while the part-time Corporate Auditors introduce examples of other companies.

Further, the Internal Control Divisions (including Legal Division, Accounting & Control Division and Corporate Strategy & Finance Division) cooperate in providing advance and ex-post explanations in a timely manner in response to requests from Outside Directors and Outside Corporate Auditors with respect to important matters related to internal control among the matters to be deliberated by the Board of Directors and the Executive Committee.

At the meetings of the Board of Directors and the Board of Corporate Auditors, the Company makes efforts to ensure that sufficient information is provided in a timely manner so that Directors and the Corporate Auditors may prepare beforehand. To that end, the staff members of the Legal Division provide notices and materials related to the deliberations at the Board of Directors, and the staff members of the Corporate Auditors Office provide notices and materials related to the deliberations at the Board of Corporate Auditors. In addition, the staff members of the Legal Division and the Corporate Auditors Office promptly respond to questions and comments from Outside Directors and Corporate Auditors, respectively, by making inquiries of related divisions within the Company.

The Internal Control Divisions led by the Accounting & Control Division and the Internal Audit Office, which is the Internal Audit Division of the Company, provide the necessary support for the smooth execution of audits by the Accounting Auditor, and also provide timely and accurate information in response to requests from Outside Directors and Outside Corporate Auditors, thereby realizing collaboration between Outside Directors and Outside Corporate Auditors, and the Accounting Auditor.

Outside Directors and Outside Corporate Auditors also receive reports on the status of internal audits at the meetings of the Board of Directors or through other means. In this way, the Outside Directors and Outside Corporate Auditors work closely with the Internal Audit Office to realize effective supervision.

(3) Audit Status

① Internal Audit Status

(a) Overview of Internal Audits

With regard to internal audits, the Internal Audit Office, which is composed of dedicated personnel directly under the President and CEO, verifies and evaluates the business execution of the Company's management organization, including business execution divisions, staffing divisions, and consolidated subsidiaries, from a third-party perspective independent of the business execution divisions and from the perspectives of compliance, risk management, and internal control, and recommends specific corrective and improvement measures if there are any problems.

(b) Relationship between the Internal Audit Department and the Internal Control Department

The Internal Audit Department conducts hearings and other inquiries of internal divisions, including the Internal Control Department, as necessary, to collect information in a timely and accurate manner.

(c) Relationship between the Internal Audit Office and the Accounting Auditor

The Internal Audit Office works closely with the Accounting Auditor by regularly exchanging information.

② Status of Audits by Corporate Auditors

(a) Overview of Audits by Corporate Auditors

In principle, the Board of Corporate Auditors meets once every 3 months, and extraordinary meetings are held as necessary. The Board of Corporate Auditors decides audit policies and other matters, and each Corporate Auditor reports on the status of audits and other matters. In accordance with auditing policies established by the Board of Corporate Auditors, the Corporate Auditors audit the execution of duties by Directors by attending meetings of the Board of Directors and other important meetings, receiving business reports and being informed of the status of execution of duties from Directors, Executive Officers and employees (including the Internal Control Department), reviewing important approval documents and other documents, investigating the status of operations and assets (including the compliance system and the internal control system), and investigating subsidiaries.

Attendance at the Board of Corporate Auditors meetings by each Corporate Auditor as of the end of the current fiscal year is as follows.

Position and Title	Name	Attendance（rate）
Corporate Auditor (full-time)	Kazuki Fukuda	attended 9 of the 9 meetings (100%)
Corporate Auditor (part-time)	Kazuyoshi Yamazaki	attended 9 of the 9 meetings (100%)
Corporate Auditor (part-time)	Tomoko Mizuno	attended 9 of the 9 meetings (100%)
Corporate Auditor (part-time)	Miya Miyama	attended 6 of the 6 meetings (100%)
Corporate Auditor (part-time)	Takeshi Sekine	attended 3 of the 3 meetings (100%)

(Note) 1. Ms. Miya Miyama's attendance at the Board of Corporate Auditors meetings covers the Board of Corporate Auditors meetings held after her appointment.
2. At the closing of the 20th Ordinary General Meeting of Shareholders, Mr. Takeshi Sekine resigned as an Audit & Supervisory Board Member.

(b) Cooperation between Corporate Auditors and the Internal Auditing Office

The full-time Corporate Auditor meets regularly with the head of the Internal Audit Department to promote cooperation by, among others, receiving the results of internal audits and exchanging opinions on proposals for improvement in order.

(c) Cooperation between Corporate Auditors and the Accounting Auditor

Each Corporate Auditor requires the Accounting Auditor to report on the audit from time to time. In addition, the Board of Corporate Auditors and the Accounting Auditor promote cooperation by holding regular meetings to hear reports on the accounting audit plan, results of implementation, and other matters as well as exchanging opinions on auditing activities and other matters as necessary. Full-time Corporate Auditor also attends on-site inspections of major Company assets (inventories, etc.) conducted by the Accounting Auditor to confirm that appropriate processing is conducted.

③ Status of Accounting Audit

(a) Name of the Auditing Firm

PricewaterhouseCoopers Aarata LLC

(b) Continuous Audit Period

4 years

(c) Certified Public Accountants responsible for the audit

Hiroyuki Sawayama, Designated limited liability Partner and Engagement Partner

Hitoshi Kondo, Designated limited liability Partner and Engagement Partner

Satoshi Shimbo, Designated limited liability Partner and Engagement Partner

(d) Those Assisting in Auditing Services

10 certified public accountants and 40 others assisted with accounting audit of the Company.

(e) Policies and Reasons for Selection of Auditing Firm

The Board of Corporate Auditors chose PricewaterhouseCoopers Aarata LLC as an Accounting Auditor because the Board of Corporate Auditors determined that it has the expertise, independence and quality management required as the Company's Accounting Auditor as well as has a capacity to audit the Group's global business activities in a uniform manner, in accordance with the Company's Accounting Auditor evaluation and selection criteria.

The Board of Corporate Auditors will, by unanimous consent, dismiss the Accounting Auditor upon determination that the Accounting Auditor falls under any item of Paragraph 1, Article 340 of the Companies Act. In addition, should anything occur to negatively impact the qualifications or independence of the Accounting Auditor, thereby making it unlikely that the Accounting Auditor will be able to properly perform an audit, or if the Board of Corporate Auditor determines that a change in the Accounting Auditor will enable the Company to establish a more appropriate audit system, the Board of Corporate Auditors will make a decision on the proposal regarding dismiss or not to reappoint the Accounting Auditor at a General Meeting of Shareholders.

(f) Evaluation of Auditing Firm by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors has established evaluation standards for Accounting Auditor, which consist of, among others, assurance of the independence of Accounting Auditor, audit implementation system, communications with Corporate Auditors, etc., and the auditing firm's quality control system. In accordance with these standards, the Board of Corporate Auditors evaluates the Accounting Auditor annually by reviewing materials from the Accounting Auditor, the Company's officers and employees, and interviewing them on a regular basis.

④ Details of audit fees, etc.

(a) Remuneration for Auditing Certified Public Accountants or Auditing Firm

Classification	Previous fiscal year		Current fiscal year	
	Audit certification services fees (Millions of yen)	Non-auditing services fees (Millions of yen)	Audit certification services fees (Millions of yen)	Non-auditing services fees (Millions of yen)
Filing Company	216	56	244	7
Consolidated Subsidiaries	14	1	14	1
Total	230	57	258	8

The non-audit services provided to the Company and its consolidated subsidiaries consist of advisory services and agreed-upon procedures related to human rights management.

(b) Fees paid to Organizations in the Same Network (PricewaterhouseCoopers) as that of Auditing Certified Public Accountants or Auditing Firm of the Company (excluding (a) above)

Classification	Previous fiscal year		Current fiscal year	
	Audit certification services fees (Millions of yen)	Non-auditing services fees (Millions of yen)	Audit certification services fees (Millions of yen)	Non-auditing services fees (Millions of yen)
Filing Company	—	161	—	112
Consolidated Subsidiaries	300	83	476	167
Total	300	244	476	279

The non-auditing services provided to the Company and its consolidated subsidiaries are various advisory services, including tax advisory services.

(c) Policy for Determining Audit Fees

Audit fees of the certified public accountants or auditing firm paid by the Company are determined by comprehensively taking into account factors such as the number of audit days, the size of the relevant company, and the nature of operations.

(d) Reasons for the Board of Corporate Auditors' Agreement on Accounting Auditor Fees

The Board of Corporate Auditors obtained the necessary materials, and received reports, from the Directors, related internal divisions, and the Accounting Auditor. After reviewing the audit plan for the previous fiscal year and the current fiscal year, the status of execution of audits, and the basis for calculating the fee estimate, the Accounting Auditor concluded that the amount of the Accounting Auditor’s fees, etc., was reasonable and agreed on such amount of fees.

(4) Executive Compensation and Related Matters

① Compensation for Directors and Corporate Auditors

(a) Compensation for Directors

Compensation for Directors who serve concurrently as Executive Officers is described in "② Compensation for Executive Officers" below.
The basic policy regarding compensation for Directors who are not concurrently serve as Executive Officers is as follows.

・Highly transparent and objective
・Improvement of corporate value and compensation must interlock to share awareness of profit with shareholders.
・Contribute to ensuring and retaining global management team that satisfies accurate ability requirements to realize corporate vision

For Directors who do not concurrently serve as Executive Officers, the Company pays base salary as fixed compensation up to the compensation limit as resolved at the General Meeting of Shareholders. For the purpose of securing diverse and talented human resources and further raising awareness of their roles, the Company grants some of such Directors stock-based compensation (one-yen stock options with service continuity conditions until 2020, and stock-based compensation where shares are delivered after vesting with service continuity conditions from 2021) up to the compensation limit as resolved at the General Meeting of Shareholders.

The details of stock-based compensation are described below in "② Compensation for Executive Officers," "(b) Details," "(i) Compensation Philosophy and Elements," "(2) Stock-based Compensation," and "<Stock Price-linked Compensation (Long-Term Incentive (LTI))>."

The Compensation Committee, which is entrusted with the distribution of individual executive compensation by the Board of Directors, sets the compensation ratio, level, and mix of compensation for each Director who does not concurrently serve as Executive Officers, taking into account the appropriate ratios and levels in light of the above-mentioned basic policies, corresponding to the duties of the Directors. The Compensation Committee is composed of a majority of outside officers and is chaired by an Outside Director.

(b) Compensation for Corporate Auditors

For Corporate Auditors, the Company pays only base salary as fixed compensation that is not tied to performance, from the viewpoint of ensuring their independence. Compensation for Corporate Auditors is determined and paid after consultations among Corporate Auditors, up to the amount of the compensation limit as resolved at the General Meeting of Shareholders.

(c) Total Amount of Compensation, etc., by Category of Officer of Filing Company, Total Amount of Compensation, etc., and Number of Officers Eligible for Compensation, etc.

Directors and Corporate Auditors	Headcount	Total Amount of Compensation by Type (Millions of yen)				Total Compensation (Millions of yen)
		Monetary Compensation		Non-monetary Compensation, etc.		
				Long-term incentives		
		Base Salary	Performance-linked Compensation (Short-term incentive)	Continuous Service Conditional Stock-based Compensation	Stock-linked Conditional Stock-based Compensation	
Directors (excluding Outside Directors)	1	77	94	200	263	634
Outside Directors	4	46	-	54	-	100
Corporate Auditor (excluding Outside Corporate Auditors)	1	20	-	-	-	20
Outside Corporate Auditors	3	17	-	-	-	17

(Note) 1. As of the end of the current fiscal year, there were 5 Directors (including 4 Outside Directors) and 4 Corporate Auditors (including 3 Outside Corporate Auditors).
2. Compensation for Directors includes compensation for the CEO who also serves as an Executive Officer.
3. Amounts are rounded to the nearest million yen. Therefore, the total amount stated in each column may not correspond to the amount in the total compensation column.
4. Of the non-monetary compensation in the table, continuous service conditional stock-based compensation includes Time-based Stock Options (TSOs), which are one-yen stock options, and stock-linked conditional stock-based compensation includes Performance-based Stock Options (PSOs). The fair value that is exercisable during the current fiscal year is calculated based on the closing stock price on the vesting date and other factors. Performance Share Units (PSUs) and Restricted Stock Units (RSUs) introduced in the current fiscal year are not included because there were no units that vested during the current fiscal year. In addition, the amount to be charged to income for the current fiscal year is 332 million yen for internal Directors and 52 million yen for Outside Directors, which is applicable to stock options and units that have been granted.

5. For Directors and Corporate Auditors who are non-residents in Japan, the currency of payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY129.67 = USD 1.00).
6. At the 16th Ordinary General Meeting of Shareholders held on March 29, 2018, that the maximum amount of compensation for Directors was resolved to be 2 billion yen per year (of which the maximum amount for Outside Directors was 400 million yen per year). At the conclusion of this Ordinary General Meeting of Shareholders, the Company had 5 Directors (including 2 Outside Directors).
7. At the 19th Ordinary General Meeting of Shareholders held on March 30, 2021, and the maximum amount of stock-based compensation where shares are delivered after vesting for Directors was resolved within the framework of the amount described in Note 6 above and the total number of shares of the Company to be delivered by Directors was resolved within 2.7 million shares per year (of which, no more than 0.2 million shares are for Outside Directors). At the conclusion of this Ordinary General Meeting of Shareholders, there was 1 Director (Outside Directors are not eligible for grant) eligible for Performance Share Units (PSUs) and 6 Directors (including 5 Outside Directors) eligible for Restricted Stock Units (RSUs).
8. At the Extraordinary General Meeting of Shareholders held on February 24, 2010, the maximum amount of compensation for Corporate Auditors was resolved to be within 12 million yen per month. At the conclusion of this Extraordinary General Meeting of Shareholders, the number of Corporate Auditors was 4 (including 3 Outside Corporate Auditors).

② Compensation for Executive Officers

The following describes the compensation program for our Executive Officers (A Director who also serves as an Executive Officer and other Executive Officers in this section are collectively referred to as “Executive Officers”). The composition of our Executive Officers (as of the end of the current fiscal year) is as follows. An Executive Officer who is also a Director is remunerated as a Director.

Name	Position and responsibilities	Director	Executive Officer
Hidetoshi Shibata	Representative Director, President and CEO	✓	✓
Sailesh Chittipeddi	Executive Vice President, in charge of matters relating to IoT and Infrastructure Business Unit	-	✓
Hiroto Nitta	Senior Vice President, in charge of matters relating to Information Systems Division (including One ERP Project)	-	✓
Shinichi Yoshioka	Senior Vice President and CTO, in charge of formulation of technology strategy and R&D policy for the Company	-	✓
Chris Allexandre	Senior Vice President, in charge of matters relating to IoT and Infrastructure Business Unit (Global Sales and Corporate Digital Marketing)	-	✓
Roger Wendelken	Senior Vice President, in charge of matters relating to IoT and Infrastructure Business Unit (MCU Business)	-	✓
Shuhei Shinkai	Senior Vice President and CFO, in charge of matters relating to Corporate Strategy & Finance Division, Accounting & Control Division, Procurement Division, and Supply Chain Management Division	-	✓
Takeshi Kataoka	Senior Vice President, in charge of matters relating to Automotive Solutions Business Unit	-	✓
Vivek Bhan	Senior Vice President, in charge of matters relating to Automotive Solution Business Unit (A&P Business)	-	✓
Eizaburo Shono	Senior Vice President, in charge of matters relating to Production & Technology Unit	-	✓
Andrew Cowell	Senior Vice President, in charge of matters relating to IoT and Infrastructure Business Unit (Mobility Infrastructure and Industrial Power)	-	✓
Julie Pope	Senior Vice President and CHRO, in charge of matters relating to Human Resources Division	-	✓

This section includes:

・The overview of the compensation program and philosophy behind the design of the program for this Fiscal Year; and
・The type of compensation, the amount of compensation paid by type, and the total amount of compensation for each Executive Officer for the current fiscal year, which is covered by our disclosure.

Executive Officers of the Company have the broadest job responsibilities and policy-making authorities in the Company.

Executive Officers are responsible for maintaining our business performance and a highly ethical corporate culture, as well as for ensuring thorough compliance.

Accordingly, the Company aims to ensure transparency in our disclosure regarding executive compensation for not only our Directors, including the CEO, but also for our core members of the management team.

Therefore, the Company includes in our disclosure individual compensation for the CEO, Chief Financial Officer

(CFO), Chief Legal Officer (CLO), Executive Officers in charge of the Automotive Solution Business Unit, and the IoT and Infrastructure Business Unit, respectively, as well as compensation for Directors with total compensation of at least 100 million yen that is required to be disclosed by law.

(a) Executive summary

The Company regularly update our compensation program for Executive Officers. The Company views compensation as one of essential management tools to accelerate the expansion of our business portfolio in the focus area of Automotive, and IoT and Infrastructure, where the Company has global presence and demonstrate strong market competitiveness.

The Company designs appropriate and competitive compensation packages as a global company to attract and retain talented Executive Officers who can drive our business.

Our compensation program is designed to include performance-linked compensation to encourage Executive Officers to think and act in the best interests of shareholders in both the short- and long-term. A significant portion of our Executive Officers' total annual compensation is paid as performance-linked and stock price-linked compensation. Short-term incentives (STIs), which are performance-linked compensation, are tied to our short-term performance, and stock price-linked compensation (LTIs) are tied to our long-term performance. The Company also believes that our compensation program holds our Executive Officers accountable for direct financial performance and overall market competitiveness of the Company.

<Plans for the Future>

The Company is aiming to update our management platform to align with our business operation, which have become more globalized in recent years. As one aspect of innovation, the Company plans to update our executive compensation program in the coming years.

As a first step, since April 2021, we introduced Performance Share Units (PSUs) and Restricted Stock Units (RSUs), which have been widely used globally, in lieu of one-yen stock options based on performance (Performance-based Stock Options: PSOs) and the tenure (Time-based Stock Options: TSOs).

When establishing compensation program and setting compensation levels, the Company uses global and Japanese companies in the semiconductor and other related industries as our peer companies for benchmark comparisons. Each year, The Company performs a market comparison of our executive compensation packages and update them based on the results of that comparison. In response to global trends in strengthening corporate governance at listed companies, The Company intends to continue to update our executive compensation program in a manner consistent with global corporate practices, and the Company will strive to have our management team and shareholders recognize that our compensation program is suited to the market and supports a positive impact on our business performance.

(b) Details

(i) Compensation Philosophy and Elements

The basic philosophy regarding compensation for Executive Officers is as follows.

・Highly linked to company performance, and highly transparent and objective.
・Improvement of corporate value and compensation must interlock to share awareness of profit with shareholders.
・Contribute to ensuring and retaining global management team that satisfies accurate ability requirements to realize corporate vision.

In addition, the current compensation mix consists of the following:

・Base salary as fixed compensation
・Performance-linked compensation focused on achieving shorter-term financial and strategic objectives (Short-Term Incentives)
・Stock-based compensation where shares are delivered after vesting as stock price-linked compensation to motivate management to increase shareholder value (Long-Term Incentives)

The Company believes that our current program is consistent with practices in the global and Japanese domestic markets, as well as the interests of our stakeholders. The ratio of each type of compensation in the total compensation is set based on consideration of the appropriate ratio, according to market comparisons, global trends, and roles and performance of each Executive Officer. In addition, in order to tie long-term performance to our executive compensation and realize strong alignment between shareholders and management team, the Company has been promoting a compensation strategy that emphasizes long-term incentives compared to many Japanese companies, and the Company has set the ratio of stock-based compensation to total compensation as a majority proportion of total compensation.

(1) Cash Compensation

< Base Salary >

Base salary is the core compensation that reflects the market value of particular roles and responsibilities in the organization and is a reward for actual responsibilities, competencies, and experience of each Executive Officer.

This compensation is paid as a fixed amount based on the scope of responsibilities and the expected contribution to the Company. This compensation is a fundamental element of executive compensation, and is set at a level that invites and ensures retention of competent Executive Officers, and motivate them to drive global business expansion.

This compensation will be adjusted annually in consideration of market salary increase rates, our performance and individual performance.

< Performance-linked Compensation (Short-Term Incentive (STI))>

Short-term incentives (STIs) are paid to Executive Officers as motivation and reward for overall company financial performance as well as assessments of the individual performance of Executive Officers for each fiscal year. This compensation is a crucial element of our executive compensation program and is focused on motivating Executive Officers to contribute to the achievement of performance goals.

This compensation is based on one-year company performance, which consists of performance of Automotive Solution Business Unit, and IoT and Infrastructure Business Unit. In order to evaluate business expansion and the profitability thereof, this is evaluated by using certain indicators, including the following:

・Revenue (growth rate)

・Operating margin (Non-GAAP basis)

Evaluation indicators and targets, and the amounts paid in response to business performance are set annually after deliberation by the Compensation Committee.

(2) Stock-based Compensation

<Stock Price-linked Compensation (Long-Term Incentive (LTI))>

Long-Term Incentives (LTIs) are variable compensation with an evaluation period of 1 year or more and are generally paid in a manner that corresponds to the value earned by shareholders. The role of Long-Term Incentives is to align economic incentives for Executive Officers with the long-term performance of the organization and the long-term orientation of our shareholders.

Beginning in 2021, current Long-Term Incentives are paid through Stock-based compensation where shares are delivered after vesting, and the actual earnings received by Executive Officers are determined based on stock price growth and total shareholder return (TSR) over a 3-year period.

Specifically, Long-Term Incentives consists of Performance Share Units (PSUs) that determine the number of units according to our TSR and deliver our shares as well as Restricted Stock Units (RSUs) that are subject to continued service. Of these, PSUs are designed with TSR added to our performance indicators in order to tie PSUs more closely to maximizing medium- to long-term corporate value and strengthening awareness and activities to contribute to our stock price.

The number of units to be granted will be determined based on the simple average of the closing of our shares price on the Tokyo Stock Exchange during the 3-month period immediately before the month of the resolution by our Board of Directors, based on the base amount of compensation set for each Executive Officer in proportion to their responsibilities and percentages. The composition rate of the compensation base amount for PSUs and RSUs is 50% to 50%.

Meanwhile, in the event that a person eligible for grant falls under any of the causes stipulated by the Board of Directors, such as certain misconduct stipulated by the Board of Directors, all or part of the unvested units shall be forfeited. In addition, if, after vesting, it is found that such events or the act causing such events occurred before vesting, the grantee shall refund, without compensation, all or part of the shares issued in respect of such units or an amount equivalent thereto, if deemed appropriate by the Company.

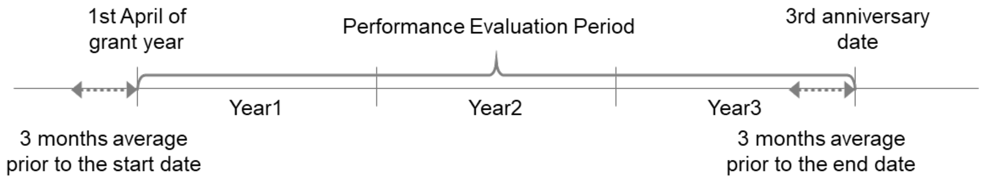
Type	Purpose	Basis	Composition Ratio
Performance Share Units (PSUs)	Increase Executive Officers’ willingness to contribute to stock price growth and corporate value	TSR	50%
Restricted Stock Units (RSUs)	Recruit and retain outstanding talented human resources by reinforcing the linkage between compensation and stock price and sharing the profits with shareholders	Tenure	50%

[PSU]

Grantees are granted a number of units calculated according to the following formula:

Number of PSUs = base amount of PSU compensation (before performance evaluation) which our Board of Directors has determined to grant to each grantee / simple average of the closing price of our shares on the Tokyo Stock Exchange for the 3 months immediately before the resolution by the Board of Directors

Subsequent to the date the Company determines (in principle, the 3 years anniversary date after the grant date), we will issue a number of shares equal to such vested number determined as follows, taking into account the performance requirements for that period.

<table>
<tr><td>Performance Indicators</td><td>TSR: Determined by comparing the companies which constitute SOX (Philadelphia Semiconductor Index) and TOPIX (Tokyo Stock Price Index) as well as a group of companies (Renesas Peers) that the Company selects in light of the industry, company size, business model, etc.</td></tr>
<tr><td>Performance Evaluation Period</td><td>3 years from April 1 of the year in which the PSUs were granted</td></tr>
<tr><td>TSR Growth Rate of the Company</td><td>(Average stock price for the 3 months before the end of the performance evaluation period (*1)
- Average stock price for the 3 months before the day before the commencement date of the performance evaluation period (*2)
+ Total dividends per share related to dividends of retained earnings with a record date during the performance evaluation period)
/ Average stock price for the 3 months before the day before the commencement date of the performance evaluation period (*2)
(*1) This refers to the simple average of the closing price of our shares on the Tokyo Stock Exchange during the last 3 months of the performance evaluation period.
(*2) This refers to the simple average of the closing price of our shares on the Tokyo Stock Exchange for the 3 months before the day before the commencement date of the performance evaluation period.

</td></tr>
<tr><td>Method of Determining Issued Shares</td><td>・When our TSR growth rate and the TSR growth rate of SOX-constituent companies are classified in ascending order, the percentage (SOX calculation rate) is calculated according to which of the following 1) to 5) is the classification of our TSR growth rate.
・When our TSR growth rate and the TSR growth rate of TOPIX-constituent companies are classified in ascending order, the percentage (TOPIX calculation rate) is calculated according to which of the following 1) to 5) is the classification of our TSR growth rate.
・When our TSR growth rate and the TSR growth rate of Renesas Peers are classified in ascending order, the percentage (Renesas Peers calculation rate) is calculated according to which of the following 1) to 5) is the classification of our TSR growth rate
・The number obtained by multiplying the number of granted PSUs (rounded up to 100) by the weighted average of the SOX calculation rate of 25 in 100, the TOPIX calculation rate of 50 in 100, and the Renesas Peers calculation rate of 25 in 100 (hereinafter referred to as the “Base Calculation Rate”) will be vested as the number of vested PSUs on the date specified by us (Japan time) (as a general rule, the 3 year anniversary date from the grant date of the PSUs). The number of shares in an amount equal to the number of vested PSUs will be issued to the grantee in an amount equal to the number of vested PSUs. However, if our TSR growth rate is 0% or less, the calculation rate is limited to 100%. Our TSR growth rate shall be determined by the following formula, and the growth rate of TSR of SOX-constituent companies, TOPIX-constituent companies and Renesas Peers shall be determined by a method similar to our TSR growth rate.
<table>
<tr><th>TSR</th><th>Vest rate</th></tr>
<tr><td>1) Less than the 25th percentile</td><td>0%</td></tr>
<tr><td>2) The 25th percentile or more, and less than the 50th percentile</td><td>Rate calculated as the same percentage increa between 25% and 50%</td></tr>
<tr><td>3) The 50th percentile or more, and less than the 75th percentile</td><td>Rate calculated as the same percentage increa between 50% and 75%</td></tr>
<tr><td>4) The 75th percentile or more, and less than the 90th percentile</td><td>Rate calculated as the same percentage increa between 75% and 100%</td></tr>
<tr><td>5) The 90th percentile or more</td><td>100%</td></tr>
</table></td></tr>
</table>

[RSU]

Grantees are granted a number of units calculated according to the following formula:

Number of RSUs = the base amount of RSU compensation for the 3 years (however, for Outside Directors, 1 year) that our Board of Directors decided to grant to each grantee / the simple average of the closing price of our shares on the Tokyo Stock Exchange during the 3 months immediately preceding the month of resolution by our Board of Directors

As a general rule, one-third of the units vest each year after the grant date (however, for Outside Directors, all of the units vest on 1 year after the grant date) and the Company will issue a number of shares equal to the number of vested units.

(ii) Comparator Group (FY2021 and thereafter, as of the end of the current fiscal year)

The Compensation Committee reviewed comparable companies in compensation to better understand program design and competitive compensation levels. Given that the Company is operating our business globally, the Company selected the comparable companies not only in Japan, but also from the United States and Europe, both of which are our primary business areas and where the global executive compensation programs are functioning. The Company referred to the 3 key global regions with an appropriate balance, and set future performance targets, and established a compensation program with the aim of promoting the achievement of business and financial indicators both globally and regionally.

Comparator groups in compensation include high-tech companies headquartered in Japan, which are either or both competitors in human resources acquisition or competitors in the same industry as viewed by investors. At this stage, the correlation between the revenue level and the executive compensation level is not so strong in Japan, so the Company has selected Japanese companies from a wide range of revenue levels. The disclosed personal compensation data of comparable companies in compensation is supplemented by market compensation data (Mercer LLC survey). For US and Europe, the Company selected semiconductor companies considering revenue level and market capitalization.

Companies with headquarters, etc. in Japan (Number of comparable companies: 12)	Companies with headquarters, etc. in the US (Number of comparable companies: 11)	Companies with headquarters, etc. in Europe (Number of comparable companies: 4)
Sony Group Corporation Toshiba Corporation Mitsubishi Electric Corporation Tokyo Electron Limited Advantest Corporation DISCO Corporation Hitachi, Limited. Panasonic Corporation Olympus Corporation Trend Micro Incorporated. DENSO Corporation TDK Corporation	Analog Devices Inc. Skyworks Solutions Inc. Texas Instruments Inc. Microchip Technology Inc. Advanced Micro Devices Inc. Applied Materials, Inc. Broadcom Inc. Lam Research Co., Ltd. Marvell Technology Group Inc. Maxim Integrated Micron Technology, Inc. Qualcomm Technologies Inc.	STMicroelectronics N.V. NXP Semiconductors N.V. Infineon Technologies AG ASML Holding N.V.

(iii) Analysis of Compensation Decisions

(1) Total Compensation

The Compensation Committee reviewed both the overall package and the compensation by type before the final determination of Executive Officers' compensation. The target information includes total cash compensation (base salary and STI), stock-based compensation amount, total compensation amount (base salary, STI, and stock-based compensation), and the impact of proposed compensation on other compensation elements. When determining the amount of compensation, compensation mix and incentives for Executive Officers, the Compensation Committee reviewed each position, role, and status of service, including career history, in relation to corporate performance and individual performance and our medium- to long-term value creation, in accordance with our basic philosophy of compensation. The Compensation Committee assessed whether overall compensation was consistent with the purposes of the program.

Based on this comprehensive review, the Compensation Committee determined that the compensation levels and compensation mix for the current fiscal year were appropriate.

< Base Salary>

The amount of base salary paid to Executive Officers for the current fiscal year was determined after deliberations by the Compensation Committee, taking into account the role of each position and the related employment markets (Japan or US).

< Performance-linked Compensation (Short-Term Incentive (STI))>

The STI target amount for the Executive Officers in the current fiscal year that the Company disclosed is shown below.

Name	STI (Target amount: Millions of yen)	Base Salary (Base amount: Millions of yen)	Percentage of STI for Base Salary
Hidetoshi Shibata	70	78	90.0%
Shuhei Shinkai	29	29	99.6%
Jason Hall	-	-	-
Takeshi Kataoka	27	27	99.6%
Sailesh Chittipeddi	73	77	95.0%

(Note) 1. The amounts are rounded to the nearest million yen. For overseas officer, the currency for payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY129.97 = USD 1.00). The percentage of STI for Base salary is calculated based on amounts before rounding.

2. Mr. Jason Hall retired an Executive Officer in March, 2022 and did not receive Performance-linked Compensation.

For Executive Officers in charge of the Automotive Solution Business Unit and the IoT and Infrastructure Business Unit, the provisional amount of STI payments is determined based on the revenue (growth rate) and operating income margin (Non-GAAP basis) of each business unit. Individual calculation methods are applied to each business unit in order to take into account the characteristics of each business.

For Executive Officers in charge of other business units (Production & Technology Unit and Corporate), provisional payments are calculated based on the weighted average of the payout rates for both business units above.

This scheme is the same as the scheme for employees, and it is a mechanism for sharing incentives with employees.

The final amount of payment will be determined upon deliberations by the Compensation Committee based on the provisional STI payment determined by the scheme described above, our performance, various requirements other than financial performance, and other factors for the fiscal year.

<Stock Price-linked Compensation (Long-Term Incentive (LTI))>

The following table shows the grant level for each Executive Officer based on the calculation of the number of Stock-based Compensation granted to Executive Officers that the Company disclosed in the current fiscal year.

Name	Stock-based Compensation (base amount of grant level: Millions of yen)		
	Total	PSU (base amount of grant level)	RSU (base amount of grant level)
Hidetoshi Shibata	300	150	150
Shuhei Shinkai	70	35	35
Jason Hall	-	-	-
Takeshi Kataoka	59	30	30
Sailesh Chittipeddi	428	214	214

(Note) 1. The table sets forth the base amount of the annual grant for each Executive Officer (amounts are rounded to the nearest million yen and, for overseas officers, the currency of payment is converted into Japanese yen at the average exchange rate during the year (JPY129.67 = USD 1.00)). The actual amounts vested are set forth in the table below under “(iv) Total Amount of Consolidated Compensation for Each Executive Officer Subject to Disclosure.”

2. Mr. Jason Hall retired an Executive Officer in March, 2022 and did not received Stock Price-linked Compensation.

The compensation mix for Executive Officers disclosed by the Company for the current fiscal year is shown below.

The percentage of the variable portion is greater than the current general situation of executive compensation in Japan because it rewards Executive Officers for company performance and individual performance.

(Note) Each compensation element is based on a target base amount before reflecting performance (as of December 31, 2022)

(2) Performance Evaluation for the current fiscal year (Non-GAAP Basis)

Revenues and operating income margin (Non-GAAP basis) both increased during the current fiscal year. Total shareholder return grew 119.8% on a 3-year average, outpacing the median of TOPIX constituent companies and below the median of SOX-constituent companies.

Revenue (Non-GAAP basis)

・Our revenue increased 51.1% in FY2022 compared with the previous fiscal year.
・Revenue by business unit is as follows:
  - Revenue in the Automotive Solution Business Unit in FY2022 increased 39.5% compared with the previous fiscal year.
  - Revenue in the IoT and Infrastructure Unit in FY2022 increased 64.1% compared with the previous fiscal year.

Operating margin (Non-GAAP basis)

・Our operating margin (Non-GAAP basis) in FY2022 increased 7.4pts compared with the previous fiscal year.
・Operating margin by business unit (Non-GAAP basis) is as follows:
  - Operating margin (Non-GAAP basis) in the Automotive Solution Business Unit in FY2022 increased 7.5 pts compared with the previous fiscal year.
  - Operating margin (Non-GAAP basis) in the IoT and Infrastructure Business Unit in FY2022 increased 6.8 pts compared with the previous fiscal year.

Total shareholder return (TSR)

The 3-year average of TSR growth rate used to evaluate the performance of PSOs in FY2022 was 119.8%, higher than the median of TOPIX constituent companies and lower than the median of SOX-constituent companies.

Overview of performance results

	1 year	3 years
Revenue (Non-GAAP basis)	51.1%	
Automotive Solution Business Unit	39.5%	
IoT and Infrastructure Business Unit	64.1%	
Operating margin (Non-GAAP basis)	7.4pts	
Automotive Solution Business Unit	7.5pts	
IoT and Infrastructure Business Unit	6.8pts	
Total Shareholder Return (TSR)		119.8%

(Note)
(*) Revenue and Operating Margin (Non-GAAP basis): Disclosed results on a Group-consolidated and Non-

GAAP basis

(*) TSR performance evaluation period: April 1, 2019 to March 31, 2022

(*) TSR calculation:

(Average stock price for the 3 months before the end of the performance evaluation period
- Average stock price for the 3 months before the day before the commencement date of the performance evaluation period
+ Total dividends per share related to dividends of retained earnings with a record date during the performance evaluation period)
/ Average stock price for the 3 months before the day before the commencement date of the performance evaluation period

(*) The Company does not pay dividends from retained earnings during the performance evaluation period.

(3) Individual Performance Evaluation Results (MBO (Management By Objective))

The CEO's performance was evaluated by the Nomination Committee for his overall contribution to our performance.

For Executive Officers that the Company disclosed other than the CEO, the CEO considered the elements described below in evaluating individual performance.

・Mr. Shuhei Shinkai serves as CFO and the CEO focused on our financial management.
・Mr. Jason Hall was not subject to the individual performance evaluation, due to his retirement in March, 2022.
・Mr. Takeshi Kataoka serves as General Manager of the Automotive Solution Business Unit and the CEO focused on the financial performance and strategic position of the business unit.
・Mr. Sailesh Chittipeddi serves as General Manager of the IoT and Infrastructure Business Unit and the CEO focused on the financial performance and strategic positioning of the business unit.

(iv) Total Amount of Consolidated Compensation for each Executive Officer Subject to Disclosure

Name	Amount of Compensation (Millions of yen)				Total Compensation (Millions of yen)
	Base salary	Performance-linked Compensation	Stock Price-linked Compensation		
			Long-term Incentives (LTI)		
		Short-term Incentive (STI)	Continuous Service Conditional Stock-based Compensation	Stock-linked Conditional Stock-based Compensation	
Hidetoshi Shibata	77	94	200	263	634
Shuhei Shinkai	28	38	49	60	175
Jason Hall	108	0	124	282	151
Takeshi Kataoka	26	34	25	11	95
Sailesh Chittipeddi	76	101	312	519	1,009

(Note) 1. Amounts are rounded to the nearest million yen. Therefore, the total of the amounts listed in each column may not correspond to the amount in the total compensation column.
2. "Base salary" represents the amount paid in the current fiscal year. "Performance-linked Compensation" represents the amount of short-term incentive (STI) payments for the period under evaluation, which is the current fiscal year. "Stock Price-linked Compensation" represents the amount vested in the current fiscal year.
3. An Executive Officer who is also Director (the CEO) are compensated as a Director.
4. In addition to the compensation described above, with respect to Mr. Jason Hall, the Company paid for various benefits related to secondment from a U.S. subsidiary to the Company and the associated partial reimbursement of income tax. The base salary column includes amounts related to his retirement from the company recorded as FY2022 expense.
5. For overseas officers, the currency for payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY129.67 = USD 1.00).

(v) Benefits and Welfare

Executive Officers are eligible to receive various benefits equal to those of our other employees, excluding severance benefits. Those benefits include social insurance, such as health insurance and welfare pensions, accident insurance, commuting expenses, and rights to use group insurance.

(vi) Pay Ratio (Compensation Ratio)

The median of total annual compensation of all employees (other than the CEO) for our current fiscal year was 6 million yen. The CEO's total annual income was 634 million yen. Based on this information, the ratio of the CEO's total annual compensation to the median of total annual compensation of all employees was approximately 106 to 1.

The following methodologies and significant assumptions were used to determine the median of total annual compensation of all of our employees and to calculate the total annual compensation of the median employee:

・December 31, 2022 was selected as the date (record date) for determining the median employee.

・Our employees as of the record date consisted of approximately 21,000 employees working for the Company and its consolidated subsidiaries (excluding those on leave that are not expected to return to work).
・To determine the median employee, the Company used information about base salaries and incentives paid to all employees. The monthly salary is calculated on an annualized basis for full-time employees who have a service period of less than 1 fiscal year or who had a non-paid holiday during a 1-year period.

The CEO's total annual compensation is the amount shown in the column "(iv) Total Consolidated Compensation for Each Executive Officer Subject to Disclosure" above (Base salary + STI + LTI).

③ Voluntary Compensation Committee

To ensure the appropriateness of compensation and transparency of the decision-making process, the Company has established a Voluntary Compensation Committee as an advisory body to the Board of Directors. The Compensation Committee is composed of a majority of Outside Officers and is chaired by an Outside Director.

The compensation level, compensation structure, and the setting of performance-linked compensation targets for Directors and Executive Officers are decided by the Voluntary Compensation Committee, under which the Board of Directors has discretion in allocating individual compensation for officers. Proposals to the General Meeting of Shareholders (such as limits on the amount of compensation for Directors) and the granting of stock-based compensation are decided by the Board of Directors after deliberations by the Compensation Committee.

Compensation Committee members are as follows:

・Chairman: Selena Loh Lacroix (Outside Director)
・Member: Hidetoshi Shibata (President and CEO)
・Member: Noboru Yamamoto (Outside Director)
・Member: Tomoko Mizuno (Outside Corporate Auditor)

During the current fiscal year, the Compensation Committee held a total of six meetings.

(5) Status of Holding of Shares

① Standards and concept for classification of investment shares

The Company classifies investment shares held solely for the purpose of receiving profits from changes in the value of shares or dividends on shares as investment shares held for pure investment, and investment shares held for other purposes are classified as investment shares held for purposes other than pure investment.

② Investment shares held for purposes other than pure investment

a. Methods for verifying holding policies and rationality of holdings, and details of verification by the Board of Directors regarding the appropriateness of holding individual issues.

Regarding the holding of investment stocks for purposes other than pure investment, the Company's policy is to hold only those investment stocks that it judges will contribute to the enhancement of corporate value from the perspective of maintaining and strengthening business alliances and business relationships, such as joint development. Each year, the Board of Directors verifies the rationale for continued shareholding and the number of shares, etc., after comprehensively considering the purpose of holding each issue, the status of transactions, financial condition, return (including related business benefits) and risks associated with the holding, and other factors.

b. Number of stocks and balance sheet amounts

	Number of Issues (Issues)	Total Balance Sheet Amount (Millions of yen)
Unlisted shares	10	1,930
Shares other than unlisted shares	1	877

(Shares for which number of shares increased in the current fiscal year)

	Number of Issues (Issues)	Total Balance Sheet Amount (Millions of yen)	Reason for the increase in the number of shares
Unlisted shares	2	1,723	The increase is due to the acquisition of shares for the purpose of developing competitive products and acquiring business opportunities by strengthening cooperation with investee companies.
Shares other than unlisted shares	1	1,064	The increase is due to the acquisition of shares for the purpose of developing competitive products and acquiring business opportunities by strengthening cooperation with investee companies.

(Shares for which the number of shares decreased in the current fiscal year)

Not applicable.

c. Information on the number of shares, amount recorded on the balance sheet and related matters of each type of specified investment shares and deemed held shares.

Specified Investment Stocks

Issues	Current fiscal year	Previous fiscal year	Reason for the increase in the number of shares	Ownership of the Company shares
	Number of shares (shares)	Number of shares (shares)		
	Total Balance Sheet Amount (Millions of yen)	Total Balance Sheet Amount (Millions of yen)		
Sequans Communications S.A.	1,974,755	—	The increase is due to the acquisition of shares for the purpose of developing competitive products and acquiring business opportunities by strengthening cooperation with investee companies.	N/A
	877	—		

(Note) Although it is difficult to calculate the quantitative effect of holding stocks, the Company's Board of Directors annually examines the rationale for holding individual investment stocks by comprehensively considering the purpose of holding, trading conditions, financial status benefits (including benefits in related businesses), and risks associated with holding such stocks.

Deemed stock holding
Not applicable.

③ Investment shares held for the purpose of pure investment
Not applicable.

④ Changes in the purpose of holding investment shares from pure investment to purposes other than pure investment during the current fiscal year
Not applicable.

⑤ Change in the purpose of holding investment shares from the purpose other than pure investment to the purpose of pure investment during the current fiscal year
Not applicable.

V. Accounting Status

1. Basis of Preparation of the Consolidated Financial Statements
   (1) The consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (hereafter "IFRS") pursuant to the provisions of Article 93 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ministry of Finance Ordinance No. 28, 1976, hereafter "Ordinance on Consolidated Financial Statements").

   (2) The non-consolidated financial statements of the Company were prepared in accordance with the Ministry of Finance Ordinance No. 59, 1963, "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements, etc." (hereafter "Ordinance on Financial Statements").
   As a company submitting financial statements prepared in accordance with special provisions of the Ordinance of Financial Statements, the Company prepares its financial statements in accordance with Article 127 of the Ordinance of Financial Statements.

   (3) In the consolidated financial statements and the non-consolidated financial statements, figures are presented by rounding them to the nearest million yen.

2. Audit Certification
   The consolidated financial statements for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) and the non-consolidated financial statements for the fiscal year ended December 31, 2022 (from January 1, 2022 to December 31, 2022) were audited by PricewaterhouseCoopers Aarata LLC in accordance with Article 193-2, Section 1, of the Financial Instruments and Exchange Act.

3. Special Measures for Preparing Fairly Stated Financial Statements
   These measures involve attaining a thorough understanding of accounting standards and developing a system for addressing changes made to these standards. To this end, the Company has registered with the Financial Accounting Standards Foundation, and participates in seminars.

4. Development of a System to Appropriately Prepare Consolidated Financial Statements Based on IFRS
   To appropriately prepare its consolidated financial statements in accordance with IFRS, the Company obtains press releases and accounting standards issued by the International Accounting Standards Board as required to understand the latest standards and analyze the impact. The Company has also prepared the Group accounting policies or "Global Rule Book" in accordance with IFRS and formulates accounting treatments based on the Group accounting policies. In addition, the Company makes efforts to accumulate in-house expertise by participating in seminars, etc. hosted by the Financial Accounting Standards Foundation and audit corporations, etc.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

(i) Consolidated Statement of Financial Position

(In millions of yen)

	Notes	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Assets			
Current assets			
Cash and cash equivalents	8	221,924	336,068
Trade and other receivables	9, 33	140,478	162,623
Inventories	10	137,759	187,958
Other current financial assets	16, 33	737	6,688
Income taxes receivable		4,395	4,462
Other current assets	11	12,352	17,320
Total current assets		517,645	715,119
Non-current assets			
Property, plant and equipment	12, 14, 15, 19	198,165	208,042
Goodwill	7, 13, 15	1,089,452	1,265,457
Intangible assets	13, 15	534,778	487,438
Other non-current financial assets	16, 33	34,633	84,149
Deferred tax assets	17	42,537	37,876
Other non-current assets	11	9,091	14,191
Total non-current assets		1,908,656	2,097,153
Total assets		2,426,301	2,812,272

(In millions of yen)

	Notes	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 33, 38	204,330	222,941
Bonds and borrowings	19, 33	121,105	120,005
Other current financial liabilities	20, 33	11,595	13,838
Income taxes payable		22,050	79,025
Provisions	21	11,185	8,099
Other current liabilities	11	75,623	81,565
Total current liabilities		445,888	525,473
Non-current liabilities			
Trade and other payables	18, 33	15,100	3,382
Bonds and borrowings	19, 33	692,983	635,738
Other non-current financial liabilities	20, 33	11,868	11,301
Income taxes payable		3,792	2,551
Retirement benefit liability	22	27,926	24,102
Provisions	21	3,795	3,289
Deferred tax liabilities	17	65,788	63,523
Other non-current liabilities	11	5,763	5,435
Total non-current liabilities		827,015	749,321
Total liabilities		1,272,903	1,274,794
Equity			
Share capital	23	147,133	153,209
Capital surplus	23	337,989	348,446
Retained earnings	23	570,292	828,599
Treasury shares	23	(11)	(192,171)
Other components of equity		94,678	395,667
Total equity attributable to owners of parent		1,150,081	1,533,750
Non-controlling interests		3,317	3,728
Total equity		1,153,398	1,537,478
Total liabilities and equity		2,426,301	2,812,272

(ii) Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income

Consolidated Statement of Profit or Loss

(In millions of yen)

	Notes	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Revenue	6, 24	993,908	1,500,853
Cost of sales	37, 38	(497,780)	(646,864)
Gross profit		496,128	853,989
Selling, general and administrative expenses	25, 37	(317,199)	(426,861)
Other income	26	8,031	17,677
Other expenses	27	(13,133)	(20,635)
Operating profit		173,827	424,170
Finance income	28	4,140	1,409
Finance costs	28	(35,249)	(63,280)
Profit before tax		142,718	362,299
Income tax expense	17	(23,031)	(105,512)
Profit		119,687	256,787
Profit attributable to			
Owners of parent		119,536	256,632
Non-controlling interests		151	155
Profit		119,687	256,787
Earnings per share	30		
Basic earnings per share (yen)		64.77	137.67
Diluted earnings per share (yen)		63.35	134.85

Consolidated Statement of Comprehensive Income

(In millions of yen)

	Notes	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Profit		119,687	256,787
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		902	1,913
Equity instruments measured at fair value through other comprehensive income		(311)	(130)
Total of items that will not be reclassified to profit or loss		591	1,783
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		168,975	312,707
Cash flow hedges		(4,022)	(11,946)
Cost of hedges		(153)	6,653
Total of items that may be reclassified subsequently to profit or loss		164,800	307,414
Total other comprehensive income	29	165,391	309,197
Total comprehensive income		285,078	565,984
Comprehensive income attributable to			
Owners of parent		284,721	565,573
Non-controlling interests		357	411
Total comprehensive income		285,078	565,984

(iii) Consolidated Statement of Changes in Equity

Previous fiscal year (from January 1, 2021 to December 31, 2021)

(In millions of yen)

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2021		28,971	208,253	449,975	(11)	15,959	—	(1,131)
Profit		—	—	119,536	—	—	—	—
Other comprehensive income		—	—	—	—	—	902	(311)
Total comprehensive income		—	—	119,536	—	—	902	(311)
Issuance of new shares	23	118,162	117,320	—	—	—	—	—
Share-based payment transactions	32	—	12,416	—	—	(2,843)	—	—
Transfer to retained earnings		—	—	781	—	154	(902)	(33)
Reclassification to non-financial assets	7	—	—	—	—	—	—	—
Total transactions with owners		118,162	129,736	781	—	(2,689)	(902)	(33)
Balance as of December 31, 2021		147,133	337,989	570,292	(11)	13,270	—	(1,475)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity						
		Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total	Total equity attributable to owners of parent		
Balance as of January 1, 2021		(85,315)	—	—	(70,487)	616,701	2,960	619,661
Profit		—	—	—	—	119,536	151	119,687
Other comprehensive income		168,769	(4,022)	(153)	165,185	165,185	206	165,391
Total comprehensive income		168,769	(4,022)	(153)	165,185	284,721	357	285,078
Issuance of new shares	23	—	—	—	—	235,482	—	235,482
Share-based payment transactions	32	—	—	—	(2,843)	9,573	—	9,573
Transfer to retained earnings		—	—	—	(781)	—	—	—
Reclassification to non-financial assets	7	—	3,604	—	3,604	3,604	—	3,604
Total transactions with owners		—	3,604	—	(20)	248,659	—	248,659
Balance as of December 31, 2021		83,454	(418)	(153)	94,678	1,150,081	3,317	1,153,398

Current Fiscal Year (from January 1, 2022 to December 31, 2022

(In millions of yen)

	Notes	Equity attributable to owners of parent						
						Other components of equity		
		Share capital	Capital surplus	Retained earnings	Treasury shares	Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2022		147,133	337,989	570,292	(11)	13,270	—	(1,475)
Profit		—	—	256,632	—	—	—	—
Other comprehensive income		—	—	—	—	—	1,913	(130)
Total comprehensive income		—	—	256,632	—	—	1,913	(130)
Issuance of new shares	23	6,076	6,040	—	—	—	—	—
Acquisition and disposal of treasury stock	23	—	(442)	—	(192,160)	—	—	—
Share-based payment transactions	32	—	4,859	—	—	(6,277)	—	—
Transfer to retained earnings		—	—	1,675	—	609	(1,913)	(371)
Total transactions with owners		6,076	10,457	1,675	(192,160)	(5,668)	(1,913)	(371)
Balance as of December 31, 2022		153,209	348,446	828,599	(192,171)	7,602	—	(1,976)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity						
		Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total	Total equity attributable to owners of parent		
Balance as of January 1, 2022		83,454	(418)	(153)	94,678	1,150,081	3,317	1,153,398
Profit		—	—	—	—	256,632	155	256,787
Other comprehensive income		312,451	(11,946)	6,653	308,941	308,941	256	309,197
Total comprehensive income		312,451	(11,946)	6,653	308,941	565,573	411	565,984
Issuance of new shares	23	—	—	—	—	12,116	—	12,116
Acquisition and disposal of treasury stock	23	—	—	—	—	(192,602)	—	(192,602)
Share-based payment transactions	32	—	—	—	(6,277)	(1,418)	—	(1,418)
Transfer to retained earnings		—	—	—	(1,675)	—	—	—
Total transactions with owners		—	—	—	(7,952)	(181,904)	—	(181,904)
Balance as of December 31, 2022		395,905	(12,364)	6,500	395,667	1,533,750	3,728	1,537,478

(iv) Consolidated Statement of Cash Flows

(In millions of yen)

	Notes	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Cash flows from operating activities			
Profit before tax		142,718	362,299
Depreciation and amortization		146,047	186,032
Impairment losses		135	7,719
Finance income and finance costs		6,944	9,959
Share-based payment expenses		14,899	18,144
Foreign exchange loss (gain)		23,761	42,997
Loss (gain) on sales of property, plant and equipment, and intangible assets		(5,557)	(9,583)
Decrease (increase) in inventories		(6,253)	(41,546)
Decrease (increase) in trade and other receivables		(9,512)	(7,886)
Decrease (increase) in other financial assets		(9,699)	(29,303)
Increase (decrease) in trade and other payables		50,413	13,882
Increase (decrease) in retirement benefit liability		(2,560)	(4,600)
Increase (decrease) in provisions		3,845	(4,414)
Increase (decrease) in other current liabilities		(20,225)	(286)
Increase (decrease) in other financial liabilities		4,681	(1,454)
Other		(9,327)	(7,826)
Subtotal		330,310	534,134
Interest received		242	491
Dividends received		300	219
Income taxes paid		(23,468)	(55,519)
Net cash flows from operating activities		307,384	479,325
Cash flows from investing activities			
Purchase of property, plant and equipment		(36,938)	(66,135)
Proceeds from sales of property, plant and equipment		8,408	10,627
Purchase of intangible assets		(15,408)	(22,064)
Purchase of other financial assets		(1,416)	(5,602)
Proceeds from sales of other financial assets		579	1,268
Payments for acquisitions of subsidiaries	7	(614,816)	(6,748)
Payments for acquisitions of subsidiaries for the contingent consideration		—	(2,103)
Other		(3,535)	(6,766)
Net cash flows from investing activities		(663,126)	(97,523)
Cash flows from financing activities			
Proceeds from short-term borrowings	31	270,000	50,000
Repayments of short-term borrowings	31	(270,000)	(51,180)
Proceeds from long-term borrowings	31	240,000	47,096
Repayments of long-term borrowings	31	(262,777)	(128,767)
Proceeds from issuance of bonds	31	154,359	—
Proceeds from issuance of shares		223,799	—
Payments for share issuance costs		(1,179)	—
Purchase of treasury shares	23	—	(200,000)
Repayments of lease liabilities	31	(4,571)	(5,901)
Interest paid		(8,682)	(5,947)
Other		(34)	(71)
Net cash flows from financing activities		340,915	(294,770)
Effect of exchange rate changes on cash and cash equivalents		16,965	27,112
Net increase (decrease) in cash and cash equivalents		2,138	114,144
Cash and cash equivalents at beginning of the period	8	219,786	221,924
Cash and cash equivalents at end of the period	8	221,924	336,068

Notes to Consolidated Financial Statements

1. Reporting Entity

Renesas Electronics Corporation (hereafter “the Company”) is a public company established under the Companies Act of Japan and domiciled in Japan. The accompanying consolidated financial statements of the Company and its consolidated subsidiaries (hereafter “the Group”) are composed of the Company, its subsidiaries and interests of the Group in its associates, with December 31, 2022 as the closing date. The Group engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. For details of the Group’s major business, please refer to “Note 6. Business Segments.”

The consolidated financial statements for the year ended December 31, 2022 were approved on March 30, 2023 by Hidetoshi Shibata, Representative Director, President and CEO, and Shuhei Shinkai, Senior Vice President and CFO.

2. Basis for Preparation

(1) Compliance with IFRS

Because the Group meets the requirements for “Specified Companies Complying with Designated International Accounting Standards” stated in Article 1-2 of Ordinance on Consolidated Financial Statements, the Group has adopted the provisions of Article 93 of the Ordinance. The consolidated financial statements of the Group have been prepared in accordance with IFRS.

(2) Basis of measurement

The consolidated financial statements of the Group have been prepared based on the accounting policies separately described in “Note 3. Significant Accounting Policies.” Assets and liabilities are measured at a historical cost basis unless otherwise stated.

(3) Functional currency and presentation currency

The consolidated financial statements are presented in Japanese yen (rounded to the nearest million yen), which is the functional currency of the Company.

(4) Changes in accounting policy

(Consolidated Statement of Cash Flows)

Within “Cash flows from operating activities” category, “Decrease (increase) in other financial assets,” which was disclosed in “Other” for the previous fiscal year, has been presented separately for the current fiscal year due to the increase in its materiality.

In order to reflect this change in presentation, the consolidated statement of cash flows for the previous fiscal year has been reclassified. Consequently, within “Cash flows from operating activities” category, (4,466) million yen of “Other” has been classified to 4,681 million yen of “Decrease (increase) in other financial assets,” (9,147) million yen of “Other.”

For the current fiscal year, the Group has completed the purchase price allocation. Therefore, the consolidated statement of cash flows for the previous fiscal year has been revised.

3. Significant Accounting Policies

The significant accounting policies of the Group are as follows and are applied to all the periods presented in the consolidated financial statements.

(1) Basis of consolidation

A. Subsidiaries

Subsidiaries are entities controlled by the Group. Control refers to a case in which the Group has power over an entity, is exposed to variable returns from involvement with the entity and has the ability to affect those returns through its power over the entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when control is obtained until the date when control is lost. In the event that the Group disposes of some of its ownership interest in a subsidiary that does not result in a loss of control, the change in ownership interest of the Group is accounted for as an equity transaction, and the difference between the adjustment of non-controlling interests and the fair value of the consideration is directly recognized in equity as equity attributable to owners of parent.

If the closing dates of a subsidiary and that of the consolidated financial statements are different, financial statements prepared with a provisional closing date, which is same as that of consolidated financial statements, are used.

B. Associates

Associates are entities over which the Group has a significant influence over the decisions on financial and operating policies but does not have control. Investments in associates are accounted for using the equity method.

Investments in associates are initially recognized at cost. Ownership interests of the Group in profit or loss and other comprehensive income of the associate from the date when the Group obtains significant influence until the date when the Group loses significant influence are recognized as changes in the amount of investments in associates.

C. Transactions eliminated on consolidation

Inter-company balances of receivables and payables, transactions and unrealized gains or losses resulting from inter-company transactions are eliminated on consolidation.

(2) Business combinations

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, liabilities assumed, and equity instruments issued by the Company in exchange for control over the acquiree.

Any excess of the consideration for acquisition, the non-controlling interests in the acquiree and the fair value of assets of the acquiree that the acquirer previously held over the net amount of identifiable assets and liabilities as of the date of acquisition is recognized as goodwill. Conversely, if the consideration for acquisition is lower than the net amount of identifiable assets and liabilities as of the date of acquisition, it is immediately recognized in profit or loss. Acquisition-related costs are recognized in profit or loss. The additional acquisition of non-controlling interests after obtaining control is accounted for as an equity transaction, and no corresponding goodwill is recognized.

If the initial accounting treatment of a business combination is not completed by the end of the fiscal year when the business combination took place, provisional amounts for the items for which accounting is incomplete are reported, and such provisional amounts that were recognized as of the date of acquisition are adjusted retrospectively during the measurement period within one year from the date of acquisition.

(3) Foreign currency translation

A. Functional currency and presentation currency

The financial statements of the Group entities are prepared in their respective functional currency. The consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company.

B. Foreign currency transactions

Foreign currency transactions are translated into the functional currency at the spot exchange rate or a rate approximate to the spot exchange rate on the date of the transaction. Monetary items denominated in a foreign currency at the end of the reporting period are translated into the functional currency using the closing rate, while non-monetary items denominated in a foreign currency that are measured at historical cost are translated using the exchange rate in effect on the date of the initial transaction, and those that are measured at fair value are translated using the exchange rate in effect on the date when the fair value was calculated.

Exchange differences from translation or settlement are recognized in profit or loss during the period when they arise. However, exchange differences arising from equity instruments and cash flow hedges measured through other comprehensive income are recognized in other comprehensive income.

C. Foreign operations

In preparing the consolidated financial statements, the assets and liabilities of a foreign operation are translated into Japanese yen at the exchange rate as of the closing date of the consolidated financial statements, and profit or loss and cash flows of the foreign operation are translated into Japanese yen at the exchange rate on the date of the transaction or the average exchange rate for the period that is approximate to the exchange rate on the date of the transaction. Exchange differences are recognized in other comprehensive income, and the cumulative amount thereof is recognized in other components of equity.

On disposal of the entire ownership interest in a foreign operation or part of the interest that results in a loss of control or significant influence, the exchange differences of the foreign operation that were recognized in other comprehensive income and accumulated in equity are reclassified from equity to profit or loss when the related gains or losses on disposal are recognized.

Exchange differences arising from monetary items, which are receivables or payables from foreign operations that settlements are neither planned nor likely to occur in the foreseeable future, are a part of the entity's net investment in that foreign operation. Exchange differences arising from the monetary items are recognized in other comprehensive income.

(4) Financial instruments

A. Financial assets other than derivatives

(a) Initial recognition and measurement

Trade and other receivables are initially recognized at their transaction price on that date, and all other financial assets are initially recognized on the date of the transaction when the Company becomes the contracting party to the financial assets.

At the time of initial recognition, financial assets are classified as financial assets measured at amortized cost or financial assets measured at fair value.

(i) Financial assets measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met.

- Assets are held within a business model that aims to hold assets to collect contractual cash flows.
- The contract terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

(ii) Financial assets measured at fair value through other comprehensive income

- Debt instruments measured at fair value through other comprehensive income
  If both of the following conditions are met, financial assets are classified as debt instruments measured at fair value through other comprehensive income.
  - Assets are held within a business model whose objective is achieved by both the collection and sale of contractual cash flows.
  - The contract terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
- Equity instruments measured at fair value through other comprehensive income
  When an irrevocable election at the time of initial recognition is made, subsequent changes in fair value are recognized in other comprehensive income and such equity instruments are classified as financial assets measured at fair value through other comprehensive income.

(iii) Financial assets measured at fair value through profit or loss

Financial assets that do not meet the criteria for either (i) or (ii) above are classified into financial assets measured at fair value through profit or loss.

Financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs for financial assets measured at fair value through profit or loss are recognized in profit or loss.

(b) Subsequent measurement

After the initial recognition, financial assets are measured as follows according to their classification.

(i) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(ii) Financial assets measured at fair value through other comprehensive income

・Debt instruments measured at fair value through other comprehensive income

The amount of changes in the fair value of debt instruments measured at fair value through other comprehensive income is recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gain or loss, until the financial assets are derecognized. If the financial assets are derecognized, gains or losses accumulated in other comprehensive income are reclassified to profit or loss.

・Equity instruments measured at fair value through other comprehensive income

The amount of changes in the fair value of equity instruments measured at fair value through other comprehensive income is recognized in other comprehensive income. If the financial assets are derecognized, or if the fair value has declined significantly, gains or losses accumulated in other comprehensive income are directly reclassified to retained earnings. Dividend income from the financial assets is recognized as finance income in profit or loss.

(iii) Financial assets measured at fair value through profit or loss

Financial assets measured at fair value through profit or loss are measured at fair value after the initial recognition, and changes in fair value are recognized in profit or loss.

(c) Impairment of financial assets

For impairment of financial assets measured at amortized cost, the Group recognizes an allowance for expected credit losses of financial assets. On each reporting date, the Group assesses whether the credit risk of the financial instruments has increased significantly subsequent to the initial recognition.

If the credit risk of financial instruments has not increased significantly after the initial recognition, the loss allowance of the financial instruments is measured at the amount of 12-month expected credit losses, and if the credit risk of the financial instruments has increased significantly after the initial recognition, the loss allowance of the financial instruments is measured at the amount of lifetime expected credit losses.

However, for trade receivables, the loss allowance is always measured at the amount of lifetime expected credit losses.

Expected credit losses of the financial instruments are estimated in a way that reflects:
- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes
- The time value of money
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions

Changes in the amount of the measurement are recognized in profit or loss.

(d) Derecognition

The Group derecognizes financial assets if the contractual rights to the cash flows from the financial assets expire, or if substantially all risks and rewards associated with ownership of the financial assets are transferred as a result of assigning the contractual right to receive cash flows from the financial assets.

B. Financial liabilities other than derivatives

(a) Initial recognition and measurement

At the time of initial recognition, financial liabilities are classified as financial liabilities measured at amortized cost or financial liabilities measured at fair value through profit or loss. Although all financial liabilities are initially measured at fair value, financial liabilities measured at amortized cost are measured at an amount obtained by deducting directly attributable transaction costs.

(b) Subsequent measurement

(i) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method.

(ii) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss are measured at fair value after the initial recognition, and the changes are recognized in profit or loss.

(c) Derecognition

The Group derecognizes financial liabilities when they are extinguished, for example when then obligations specified in the contract are discharged, cancelled or expired.

C. Derivatives and hedge accounting

The Group holds derivative financial instruments for the purpose of hedging the risk of exchange rate fluctuations, etc. The Group has a policy of not conducting speculative derivative transactions.

Derivatives are initially recognized at fair value, related transaction costs and the difference between the fair value at the time of initial recognition and the transaction price are recognized in profit or loss when they are incurred. After the initial recognition, derivatives are remeasured at fair value, and changes in the fair value are accounted for as described below, depending on whether the derivative financial instruments that are designated as hedging instruments meet the requirements for hedge accounting. The Group designates the derivatives that meet the requirements for hedge accounting as hedging instruments and applies hedge accounting. In addition, at the inception of a hedge, the Group formally documents the risk management objective, the relationship between hedging instruments and the hedged items, along with strategies when executing hedging transactions, the nature of the risk being hedged and the method of assessing hedge effectiveness.

(i) Cash flow hedges

Of gains or losses from hedging instruments, the effective portion of the hedge is recognized in other comprehensive income, and the ineffective portion is recognized in profit or loss.

When applying cash flow hedges to currency swap contracts, the portion excluding the currency basis spread is designated as the hedging instrument, and for the currency basis spread portion, the amount of change in fair value is recognized as hedging cost through other components of equity and included in the comprehensive income. The amount accumulated in other components of equity is transferred to profit or loss during the same period in which the cash flows to be hedged affect profit or loss. If the hedged item is the acquisition of a non-financial asset, the amount accumulated in other components of equity will be treated as an adjustment to the initial acquisition cost of the non-financial asset.

When the Group recognizes hedging cost for a derivative transaction entered in order to hedge a time-period related hedged item, it transfers the cumulative costs of hedging accumulated in other components of equity to profit or loss on a systematic and rational basis over the period during which the hedge adjustment from the hedging instrument affects profit or loss.

The amount of hedging instruments that is recorded in other comprehensive income is reclassified to profit or loss at the time when the underlying hedged transactions affect profit or loss. If the hedged items give rise to the recognition of non-financial assets or non-financial liabilities, the amount that is recognized in other comprehensive income is reclassified as an adjustment to the initial carrying amount of non-financial assets or non-financial liabilities.

For cash flow hedges other than the above, the amount is reclassified from other comprehensive income to profit or loss in the same period or periods during which the hedged expected future cash flows affect profit or loss. However, if the accumulated amount is a loss and if all or part of the loss is not expected to be recovered in the future, the amount that is not expected to be recovered is immediately reclassified to profit or loss.

When hedge accounting is terminated, this accumulated amount remains in other comprehensive income until the expected future cash flows occur, and if the forecast transaction is no longer expected to occur, this amount is immediately reclassified to profit or loss.

(ii) Derivatives that do not meet requirements for hedge accounting
Changes in fair value are recognized in profit or loss.

(5) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits that can be withdrawn at any time and short-term investments with a maturity of 3 months or less when purchased that can be easily converted to cash and are subject to an insignificant risk of changes in value.

(6) Inventories

The acquisition cost of inventories comprises all costs of purchase, costs of conversion and all other costs incurred in bringing the inventories to their present location and condition.

After the initial recognition, inventories are measured at the lower of cost and net realizable value, but if cost exceeds net realizable value, the inventories are written down to net realizable value. The net realizable value is calculated by deducting the estimated costs of completion and the estimated costs necessary to make the sale from the estimated selling price in the ordinary course of business.

The cost is also calculated using the following methods:

Merchandise and finished goods
Custom-made products: Specific identification method
Mass products: Average method
Work in progress
Custom-made products: Specific identification method
Mass products: Average method
Raw materials and supplies: Mainly average method

(7) Property, plant and equipment (other than leased assets)

The acquisition cost of property, plant and equipment includes costs directly related to the acquisition of assets, dismantling, disposal and restoration costs and borrowing costs that meet the requirements for capitalization.

The cost model is used in the measurement of property, plant and equipment, and they are presented at the carrying value obtained by deducting accumulated depreciation and accumulated impairment losses from the acquisition cost.

Except for land and construction in progress, the acquisition cost of each asset after deducting the residual value is depreciated over the estimated useful life using the straight-line method.

The estimated useful life, the residual value and the depreciation method are reviewed at the end of each fiscal year, and any changes are applied to the period when the estimated are changed and future periods prospectively as a change in the accounting estimate. The impact of the change of these estimates is recognized in the period when the estimates are changed and future periods.

The estimated useful lives of major assets are as follows.

Buildings and structures	10 to 45 years
Machinery, equipment and vehicles	2 to 8 years
Tools, furniture and fixtures	2 to 10 years

(8) Goodwill and intangible assets

A. Goodwill

The measurement of goodwill at the time of initial recognition is as stated in “(2) Business combinations.” After initial recognition, goodwill is not amortized and is measured at cost less any accumulated impairment losses.

Goodwill is allocated to each of the acquirer’s cash-generating units that are expected to benefit from the synergies of the business combination, and an impairment test is performed for the cash-generating units to which goodwill was allocated at a certain time each fiscal year and whenever there is an indication of impairment. Impairment losses on goodwill are recognized in profit or loss and are not reversed in a subsequent period.

B. Intangible assets

The cost model is used for intangible assets, and they are presented at cost less any accumulated amortization and accumulated impairment losses.

(a) Intangible assets acquired separately

Intangible assets acquired separately are measured at cost at the time of initial recognition.

(b) Intangible assets acquired in a business combination

For intangible assets acquired in a business combination, their acquisition cost is measured at fair value as of the date of acquisition. Intangible assets acquired in a business combination are comprised primarily of developed technology, customer relationships, and in-process research and development.

(Developed technology)

Intangible assets that represent future excess earnings power expected to arise from the technology and that have been already developed as of the date of acquisition with the acquiree are recognized as Developed technology.

(Customer relationships)

Intangible assets related to future excess earnings power expected to arise from the existing customers as of the date of acquisition with the acquiree are recognized as Customer relationships.

(In-process research and development)

Intangible assets in an intermediate stage of identifiable research and development assets meeting the asset

requirements are recognized as in-process research and development.
The details for intangible assets acquired in a business combination, see “Note 13. Goodwill and Intangible Assets.”

(c) Internally-generated intangible assets (Capitalized development cost)
For internally-generated intangible assets, the expenditure is recorded as an expense, except for development costs that meet the following requirements for capitalization:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention of an entity to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- A method for the intangible asset to generate probable future economic benefits;
- The availability of adequate technical, financial and other resources necessary for completing the development of the intangible asset and using or selling it; and
- The ability to measure the expenditure attributable to the intangible asset during its development reliably

These internally generated intangible assets are amortized using the straight-line method from the time when they are provided for use in business operations based on estimated useful life (5 years) for which they are expected to provide net cash inflows. Expenditure on research and development that does not meet the requirements for capitalization above is recognized in profit or loss at the time of occurrence.

Intangible assets with finite useful lives are amortized over their respective estimated useful life using the straight-line method, and an impairment test is performed if any indications of impairment exist. For intangible assets with finite useful lives, their useful lives and amortization method are reviewed at the end of each fiscal year. A change in the useful life or the amortization method is applied prospectively as a change in accounting estimate.

Commercial software products are mainly amortized using a method based on the expected sales volume over the expected sales period (3 years or less), and software for internal use is mainly amortized using the straight-line method based on the expected available period (5 years) for internal use. Technical assets are amortized using the straight-line method based on the available period (12 years or less) in business activities. Customer relationships are mainly amortized using the straight-line method based on the estimated useful life (14 years or less).

Intangible assets with indefinite useful life and intangible assets that are not yet available for use are not amortized, and an impairment test is performed at a certain time each fiscal year or whenever any indication of impairment exists.

(9) Leases
A. Overall
(a) Identification of a lease
At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group reviews the following to assess whether a contract conveys the right to control the use of an identified asset.

(i) The use of the identified asset in a contract is directed.
(ii) The lessee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use.
(iii) The lessee has the right to direct the use of an asset. Also, in case that the determination of how and for what purpose the asset is used are predetermined, if applicable to any of the following, it is determined that the lessee has the right to direct the use of an asset.
・The lessee has the right to operate the asset.
・The lessee designed the asset in a way that predetermines how and for what purpose the asset will be used.

(b) Lease term
The lease term is defined as the non-cancellable period for which a lessee has the right to use an underlying asset, together with both:
・periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
・periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

B. Leases as Lessee
(a) Separable components of a contract
The Group allocates the consideration in contract for a building lease to lease and non-lease components on the basis of the relative stand-alone price of each lease component. In addition, the Group elects not to separate non-lease components from lease components, and instead accounts for each lease component and any associated non-lease components as a single lease component for the lease other than a building lease.

(b) Right-of-use assets
The Group recognizes the right-of-use assets and the lease liabilities at the date of initial application. The right-of-use assets are measured initially at cost. This cost is calculated by deducting any lease incentives received from the sum of the amounts of the initial measurement of the lease liabilities, any lease payments made at or before the commencement date, any initial direct costs and an estimate of costs to be incurred in dismantling and removing the underlying assets, restoring the underlying asset or restoring the site on which it is located. After the commencement date, the right-of-use asset is measured using a cost model by deducting any accumulated depreciation and any accumulated impairment losses from the cost.

The right-of-use assets are depreciated using the straight-line method over the period which is the earlier of the useful life of the underlying asset or the lease term. If it is reasonably certain that the Group will exercise a purchase option, depreciation is based on the useful life of the underlying asset.

(c) Lease liabilities

Lease liabilities are measured initially at the present value of unpaid lease payments discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the Group's incremental borrowing rate is used. The Group typically uses our incremental borrowing rate as the discount rate.

The lease payments in the measurement of lease liabilities includes the fixed payments, the amount of payments for the lease in any optional period if it is considered to be reasonable certain to exercise an extension option, and the payments of penalties for terminating the lease if the lease term reflects the lessee exercising an option to terminate the lease.

If there is a change in future lease payments resulting from a change in an index or rate, there is a change in the amounts expected to be payable under a residual value guarantee, or there is a change in determining whether purchase, extension and termination option is reasonably certain to exercise, lease liabilities are remeasured.

When lease liabilities are remeasured, the carrying amount of the right-of-use assets is adjusted or the remaining remeasurement is recognized in profit or loss if the carrying amount of the right-of-use assets is reduced to zero.

(d) Short-term leases within 12 months and leases of low-value assets

The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets including IT equipment and recognizes these lease payments as expenses over the lease term using the straight-line method.

(10) Impairment of non-financial assets

The Group determines whether there is any indication that an asset (except for inventories, deferred tax assets and retirement benefit assets) may be impaired each fiscal year, and if such indication exists, an impairment test is performed. However, for goodwill or intangible assets with indefinite useful life or that are not yet available for use, an impairment test is performed at a certain time each fiscal year and when indicators of impairment are identified. or when any signs of impairment are identified.

In the impairment test, a recoverable amount is estimated, and the carrying amount and the recoverable amount are compared. The recoverable amount of assets or cash-generating units is calculated at the higher of the value in use and the fair value less costs of disposal. The value in use is calculated by discounting the estimated future cash flows to the present value, using the pre-tax discount rate that reflects the time value of money and risks specific to the asset.

If the recoverable amount of assets or cash-generating units is lower than the carrying amount as a result of the impairment test, an impairment loss is recognized. When the impairment loss of a cash-generating unit including goodwill is recognized, an allocation is made first to reduce the carrying amount of goodwill that is allocated to the cash-generating unit, and then an allocation is made to proportionally reduce the carrying amount of other assets in the cash-generating unit.

The impairment loss is reversed if there is any indication that the impairment loss recognized in a prior period may no longer exist or may have decreased and if the estimated recoverable amount exceeds the carrying amount. The upper limit of the reversal shall not exceed the carrying amount that would have been determined had no impairment loss been recognized in prior years, net of depreciation or amortization. The impairment loss on goodwill is not reversed.

(11) Provisions

The Group recognizes a provision if the Group has assumed a legal or constructive obligation as a result of a past event, if it is probable that an outflow of economic benefits will be required to settle the obligation and if a reliable estimate can be made of the amount of the obligation.

If the time value of the money of the provision is significant, the estimated future cash flows are discounted to the present value using a pre-tax discount rate that reflects the time value of the money and risks specific to the liability. The unwinding of the discount amount due to the passage of time are recognized as a finance cost.

(12) Levies

For levies that are an outflow of resources embodying economic benefits required by the government to the Group in accordance with laws and regulations, an expected payment is recognized as a liability when the obligation event that triggers the payment of levies prescribed by laws and regulations occurs.

(13) Employee benefits

A. Short-term employee benefits

A short-term employee benefit is an employee benefit that will be settled within 12 months from the end of the fiscal year in which the employee renders the related service, and the Group recognizes an amount expected to be paid in exchange for the services rendered during a certain accounting period. Short-term employee benefits in the Group include bonuses and benefits related to paid leave.

The expected costs of employee benefits related to accumulating paid leave are recognized when an employee renders the service that will increase the entitlement to future paid leave. In addition, the Group measures the expected cost of accumulating paid leave as an additional amount that the Group is expected to pay as a result of the unused entitlement that has accumulated as of the end of the fiscal year.

Bonuses are recognized as a liability if the Group has a legal or constructive obligation to pay as a result of the provision of service by the employee in the past and if the obligation can be estimated reliably.

B. Post-employment benefits

For post-employment benefit plans, the Group has adopted defined benefit plans and defined contribution plans.

(a) Defined contribution plans

Contributions to defined contribution plans are recognized as an expense when they are incurred unless they are included in inventories or property, plant and equipment. If contributions already paid exceed contributions due for services provided before the end of the fiscal year, the Group recognizes the excess as an asset to the extent to which the prepayment becomes the reduction of future payments or a future refund.

(b) Defined benefit plans

The net amount of assets or liabilities of the defined benefit plan is the amount obtained by deducting the fair value of the plan assets (including the upper limit of the assets and adjustments to minimum funding requirements, if necessary) from the present value of defined benefit obligations, and it is recognized in the consolidated financial statements as an asset or a liability. The defined benefit obligations are calculated using the projected unit credit method, and the present value of defined benefit obligations is calculated by applying a discount rate to the expected payment amount in the future. The discount rate is calculated based on market yields at the end of the reporting period on high quality corporate bonds corresponding to the discount period which is determined based on the period until the future expected benefit payment date in each reporting period.

Service costs and net interest expense for the net amount of assets or liabilities related to the defined benefit plans are recognized in profit or loss.

Actuarial gains or losses and fluctuations in the return on the plan assets excluding the portion included in the net interest expense and change in the impact of the asset ceiling are recognized in other comprehensive income as “Remeasurements of defined benefit plans” in the corresponding period and are immediately transferred from other components of equity to retained earnings. Past service costs are recognized in profit or loss when the plan is revised or curtailed, or when related restructuring costs or termination benefits are recognized, whichever is earlier.

C. Other long-term employee benefits

As long-term employee benefit plans other than post-employment benefits, the Group has a special leave and a reward plan based on the number of service years. The obligations regarding other long-term employee benefits are measured at the amount obtained by discounting the estimated amount of future benefits that the employees have earned as consideration for services rendered in the previous and current fiscal years to the present value.

(14) Government grants

Government grants are recognized at fair value when there is reasonable assurance that the Group complies with the required conditions and that the grants will be received. Grants related to revenue are recognized in profit or loss. Grants recognized as profit or loss are deducted from the corresponding expenses when they are directly based on the incurred expenses. Grants received based on other conditions are shown in other income.

(15) Treasury shares

When treasury shares are acquired, the amount of the consideration paid, including directly attributable transaction costs, is recognized at cost and deducted from equity. Including disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU), when treasury shares are sold, the gains or losses on the disposal are recognized as capital surplus.

(16) Share-based payments

The Group has adopted share-based payment plans as incentive plans for directors, senior vice presidents and employees.

Restricted Stock Unit (RSU) and Performance Share Unit (PSU) are share-based payment plans with share issuance in the future. RSU is vested subject to continued employment with a Group Company and PSU is vested in response to the extent of the growth rate of total shareholder return. The payments are measured with reference to the fair value of the Company's stock, recognized as an expense in profit or loss, and the same amount is recognized as an increase in equity.

Stock options are estimated at fair value on the grant date and recognized as an expense over the vesting period, taking into account the number of stock options that are expected to eventually vest, and the same amount is recognized as an increase in equity. The fair value of granted options is calculated by taking the terms and conditions of the options into account. If it is determined that the number of stock options that will be vested will differ from the prior estimate due to subsequent information, the estimate of the number of stock options that will be vested is revised as necessary.

(17) Revenue recognition

The Group recognizes revenue based on the following five-step model.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. Revenue is recognized mainly when the goods are delivered as the ownership of these goods has been transferred to the customer and the performance obligations are satisfied at the time of delivery.

Also, revenue is measured at the fair value of the consideration received after deducting discounts, rebates and returns.

Sales to specific distributors may be subject to the following various sales promotion programs.

Ship and debit is a program designed to assist specific distributors on their sales to end customers through pricing adjustments. Under this program, the selling prices will be adjusted when the specific distributors sell the products to the end customers. At the time the Company records sales to the specific distributors, the Company accrues for refund liabilities and deduct the same amounts from revenue based on the estimate of the variable consideration resulting from the possible application of the ship and debit program upon the future sales by the distributors. In addition, the related balance of accounts receivable-trade is transferred to long-term accounts receivable in order to reduce specific distributors' financial burden caused by a time lag, and will be reversed in the future based on the contract.

Stock rotation is a program whereby on a semiannual basis, specific distributors are allowed to return, for credit, inventories equal to a certain percentage of their purchases for the previous six months. The Company accrues for refund liabilities related to the stock rotation program on a quarterly basis and deduct the same amount from revenue.

(18) Finance income and Finance costs

Finance income consists of dividend income, interest income, foreign exchange gain, gains on sales of financial assets, gains on hedging financial instruments that are recognized in profit or loss, and the transfer of amounts previously recognized in other comprehensive income. Interest income is recognized at the time of occurrence using the effective interest method. Dividend income is usually recognized on the date when the Group’s right to receive payment is established.

Finance costs consist of interest expenses for corporate bonds, borrowings and interest expenses for lease liabilities, foreign exchange loss, losses on sales of financial assets, losses from hedging financial instruments that are recognized in profit or loss, and the transfer of amounts previously recognized in other comprehensive income. Acquisitions or construction of qualifying assets, or borrowing costs not directly attributable to the production, are recognized at the time of occurrence using the effective interest method. Lease payments are allocated to finance costs and the repayment portion of the liability balance, and finance costs are allocated over the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(19) Income taxes

Current taxes and deferred taxes are presented as income tax expense in the consolidated statement of profit or loss, except for those related to business combinations and items that are recognized in other comprehensive income or that are directly recognized in equity.

Current taxes and deferred taxes related to items that are recognized in other comprehensive income are recognized in other comprehensive income.

A. Current taxes

Current taxes are measured at the amount paid to tax authorities or the amount expected to be refunded from tax authorities. The tax rates and the tax law used for the calculation of the tax amount are those established or substantively established by the closing date.

B. Deferred taxes

Deferred taxes are calculated based on temporary differences between the tax base amount and the carrying amount for accounting purposes of assets and liabilities at the end of the fiscal year. Deferred tax assets are recognized for deductible temporary differences, unused tax credits and unused tax losses are expected to arise to the extent to which it is probable that taxable profits will be available against which they can be utilized, and deferred tax liabilities are recognized for taxable temporary differences, in principle.

Neither a deferred tax asset nor a deferred tax liability is recognized for the following temporary differences:

- Temporary difference arising from the initial recognition of goodwill
- Temporary difference arising from the initial recognition of an asset and a liability arising from a transaction (excluding business combination transactions) that does not have an impact on accounting profits and taxable profits
- A case where the timing for eliminating a taxable temporary difference for an investment in a subsidiary or an associate and an interest in the arrangement of joint control can be controlled and where it is probable that the difference will not be eliminated in the foreseeable future
- A case where it is improbable that a deductible temporary difference for an investment in a subsidiary or an associate and an interest in the arrangement of joint control will be eliminated in the foreseeable future, or a case where it is improbable that a taxable profit that will be available for the temporary difference will be earned

Deferred tax assets and liabilities are measured at a tax rate (and based on tax law) that is expected to be applied in the period when assets are realized or liabilities are settled based on the statutory tax rate (and based on tax law) that is established or substantively established by the closing date.

Deferred tax assets and deferred tax liabilities are offset if the Group has the legally enforceable right to offset current tax assets and current tax liabilities, and if any of the following cases applies:

- Income tax expense is imposed on the same taxable entity by the same tax authority
- Although income tax expense is imposed on different taxable entities, these taxable entities intend to settle current tax assets and current tax liabilities on a net basis or intend to settle current tax liabilities at the same time as realizing current tax assets.

The carrying amount of deferred tax assets is reviewed at the end of each fiscal year. If it becomes improbable that taxable profits sufficient to realize part or all of the benefits of deferred tax assets will be earned, the carrying amount of deferred tax assets is reduced to that extent. In addition, the amount of the write-down is reversed to the extent to which it becomes probable that sufficient taxable profits will be earned.

The Group recognizes tax assets and liabilities at a reasonably estimated amount where there is an uncertain tax position.

(20) Earnings per share

Basic earnings per share are calculated by dividing profit (loss) attributable to owners (ordinary shareholders) of the parent by the weighted average number of ordinary shares outstanding, net of treasury shares, during each fiscal year.

Diluted basic earnings per share are calculated, adjusted for the effects of all dilutive potential ordinary shares.

(21) Non-current assets held for sale and discontinued operations

A. Non-current assets held for sale

For assets or asset groups that are not in continuing use and for which recovery through sale is expected, that are highly likely to be sold within one year, and that the execution of sales plan is confirmed by management and can be sold in their current condition, assets held for sale and liabilities directly related to assets held for sale are classified into disposal groups separately from other assets and liabilities and recorded in the consolidated statement of financial position.

Non-current assets classified as assets held for sale are measured at the lower of the carrying amount and the fair value after deducting the costs for sale. Assets classified as assets held for sale are not depreciated or amortized.

B. Discontinued operations

A component of an entity that has either been disposed of or is classified as held for sale is recognized as a discontinued operation if any of the following applies:

- A separate major line of business or geographical area of operations;
- Part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- A subsidiary acquired exclusively with a view to resale.

If an operation is classified as a discontinued operation, the consolidated statement of profit or loss and the consolidated statement of comprehensive income for a comparative period are restated on the assumption that the operation was discontinued on the commencement date of the comparative period.

4. Significant Accounting Estimates and Judgments

In preparing the consolidated financial statements, management of the Group makes judgments, accounting estimates and assumptions that could have an impact on the application of accounting policies and the reporting amounts of assets, liabilities, revenue and expenses. These estimates and assumptions are based on the best judgment of management, taking into account various factors that are deemed reasonable on the closing date in light of past experience and available information. However, figures based on these estimates and assumptions may differ from the actual results due to their nature.

Estimates and underlying assumptions are reviewed continuously. The impact of the review of these estimates is recognized in the period when the estimates are revised and future periods.

The Group reflects the impact of COVID-19 to estimates and assumptions (impairment test of goodwill and collectability of deferred tax assets, etc.), to a reasonable extent based on available information.

These estimates and assumptions may be affected depending on the future situations of the spread of COVID-19.

Estimates and assumptions that could have a significant impact to the consolidated financial statements are as follows.

(1) Impairment of non-financial assets

The Group performs an impairment test for non-financial assets (excluding inventories, deferred tax assets and retirement benefit asset) if there is any indication that the recoverable amount will be less than the carrying amount.

However, for goodwill or intangible assets with indefinite useful life or that are not yet available for use, an impairment test is performed at a certain time each fiscal year and when any signs of impairment exist.

The impairment test is performed by comparing the carrying amount and the recoverable amount of the assets, and if the recoverable amount falls below the carrying amount, an impairment loss is recorded. The recoverable amount is calculated mainly using the discounted cash flow model, where certain assumptions, including, but not limited to, the useful life of the asset, future cash flows, sales revenue, gross margin, discount rate, and long-term growth rate, are made. These assumptions are determined based on the best estimates and judgments of management but could be influenced by fluctuations in uncertain future economic conditions. If a revision becomes necessary, it could have a significant impact on the amounts that will be recognized in the consolidated financial statements of subsequent periods.

The calculation method of the recoverable amount is stated in “Note 15. Impairment of Non-financial Assets.”

(2) Post-employment benefits

The Group has a variety of post-employment benefit plans, including a defined benefit plan.

The present value of the defined benefit obligation of each plan and related service costs are calculated based on actuarial assumptions. For the actuarial assumptions, estimates and judgments on a range of variables such as the discount rate are required.

The actuarial assumptions are determined based on the best estimates and judgments of management but could be affected by fluctuations in uncertain future economic conditions. If a revision becomes necessary, it could have a significant impact on the amounts that will be recognized in the consolidated financial statements of subsequent periods.

These actuarial assumptions and related sensitivities are stated in “Note 22. Employee Benefits.”

(3) Provisions

The Group records multiple provisions in the consolidated statement of financial position, including the provision for product warranties and asset retirement obligations, among others.

These provisions are recorded based on the best estimate of expenditure required for the settlement of the obligations, considering risks and uncertainties related to the obligations on the closing date.

The amount of expenditure required for the settlement of the obligations is calculated by comprehensively considering results that could arise in the future, but it could be affected by the occurrence of unforeseeable events and changes in the situation. If the actual amount of expenditure differs from the estimate, it could have a significant impact on amounts recognized in the consolidated financial statements of subsequent periods.

The nature and amounts of provisions are stated in “Note 21. Provisions.”

(4) Recoverability of deferred tax assets

When deferred tax assets are recognized, the time and amount of taxable profits that will be earned in the future based on a business plan are estimated and calculated based on judgment of the possibility that taxable profits will arise.

Because the timing and amount of taxable profits are affected by the future business performance of the Group, if the actual timing and amount differ from the estimate, it could have a significant impact on the amounts recognized in the consolidated financial statements of subsequent periods.

Details and amounts of deferred tax assets are stated in “Note 17. Income Tax.”

(5) Inventories

Inventories are measured at cost, but if the net realizable value at the end of the fiscal year falls below the acquisition cost, inventories are measured at the net realizable value, and the difference from the acquisition cost is recognized in the cost of sales, in principle. For slow moving inventory that is outside of the operating cycle process, the net realizable value is calculated reflecting the future demand and market trends. If the net realizable value declines significantly due to the greater-than-expected deterioration of the market environment, a loss could arise.

(6) Measurement method of the fair value of financial instruments

When the Group evaluates the fair value of certain financial instruments, the Group uses valuation techniques that use inputs that are not observable in the market. These unobservable inputs could be affected by fluctuations in uncertain future economic conditions, and if a revision becomes necessary, it could have a significant impact on the consolidated financial statements in subsequent periods.

The details and amounts of the fair value of financial instruments are stated in “Note 3. Significant Accounting Policies, (4) Financial instruments” and “Note 33. Financial Instruments.”

(7) Income taxes

The Group recognizes tax assets and liabilities at a reasonably estimated amount based on the interpretation of tax laws where there is an uncertain tax position. Deferred taxes of the Group include liabilities related to an uncertain tax position. Tax effects of assets and liabilities explained above are calculated using the expected value method. Estimates are based on the best estimate at the moment. However, differences from the estimates could have a significant impact on the consolidated financial statements in subsequent periods depending on the actual results. For details, please refer to “Note 17. Income Taxes.”

5. Standards and Interpretations Not Yet Adopted

Of the new standards and interpretations that were newly issued or revised as of the date of the approval of the consolidated financial statements, the major standards and interpretations that the Group has not yet adopted as of December 31, 2022 are as follows:

IFRS 17 “Insurance Contract”

IFRS 17 “Insurance Contract” was issued as replacement for IFRS4 “Insurance Contracts.” The Group will apply the standard from January 1, 2023. The Group has not yet calculated an impact on the consolidated financial statements by adoption of the standards.

6. Business Segments

(1) Overview of reportable segments

The Group's reportable segments are components of the Group for which separate financial information is available that is evaluated regularly by the Board of Directors to determine the allocation of management resources and assess performance.

The Group consists of "Automotive Business" and "Industrial/Infrastructure/IoT Business" and those are the Group's reportable segments. The Automotive business includes the product categories "Automotive control," comprising semiconductor devices for controlling automobile engines and bodies, and "Automotive information," comprising of semiconductor devices used in sensing systems for detecting environments inside and outside the vehicle as well as automotive information devices such as IVI (in-vehicle infotainment) and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies microcontrollers (MCUs), system-on-chips (SoCs), analog semiconductor devices and power semiconductor devices in each of these categories. The Industrial/Infrastructure/IoT Business includes the product categories "Industrial", "Infrastructure" and "IoT" which support the smart society. The Group mainly supplies MCUs and SoCs in each of these categories. Additionally, commissioned development and manufacturing from the Group's design and manufacturing subsidiaries are categorized as "Other."

(2) Information on reportable segments

The accounting treatment for the reportable segments is same as described in "Note 3. Significant Accounting Policies." The Group discloses revenue from external customers, segment gross profit, and segment operating profit (which is the segment profit).

Segment gross profit and segment operating profit are internal key performance indicators which are used by management when making decisions and are calculated by excluding the following items from IFRS gross profit and operating profit (Adjustments 2): amortization of certain tangible and intangible assets related to business combinations; certain share-based payment expenses; and other non-recurring items. Other non-recurring items include costs related to acquisitions and gains and losses the Group believes to be appropriate for deduction. However, certain other non-recurring items the Group believes to be covered by each reportable segment are included in segment gross profit and segment operating profit of each reportable segment (Adjustments 1). The Group's Executive Officers assess the performance after eliminating intragroup transactions, and therefore, there are no transfers between reportable segments included within the segment results.

Information on reportable segments is as follows.

Previous Fiscal Year (from January 1, 2021 to December 31, 2021)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	462,309	515,547	16,562	—	994,418	(510)	993,908
Segment gross profit	214,573	312,301	1,992	—	528,866	(32,738)	496,128
Segment profit	122,443	167,071	1,992	(5,075)	296,581	(122,754)	173,827
Finance income							4,140
Finance costs							(35,249)
Profit before tax							142,718
(Other adjustments) Depreciation and amortization	43,468	35,316	—	—	78,784	67,263	146,047

Current Fiscal Year (from January 1, 2022 to December 31, 2022)

(In millions of yen)

	Reportable Segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	645,040	845,881	11,778	—	1,502,699	(1,846)	1,500,853
Segment gross profit	324,423	535,345	3,394	—	863,162	(9,173)	853,989
Segment profit	219,216	331,772	3,394	5,004	559,386	(135,216)	424,170
Finance income							1,409
Finance costs							(63,280)
Profit before tax							362,299
(Other adjustments) Depreciation and amortization	42,042	37,790	—	—	79,832	106,200	186,032

(3) Information on products and services

Information on products and services is the same with information on reportable segments and therefore, omitted from this section.

(4) Information on regions and countries

The components of revenue and non-current assets from external customers by region and country are as follows.

a. Revenue from external customers

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Japan	314,528	376,795
China	231,059	424,150
Asia (Excluding Japan and China)	213,313	319,311
Europe	147,889	236,683
North America	83,584	137,815
Others	3,535	6,099
Total	993,908	1,500,853

(Note) Revenues are categorized into the country or region based on the location of the customers.

b. Non-current assets

Non-current assets include property, plant and equipment, goodwill and intangible assets.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Japan	1,422,162	1,587,405
Malaysia	242,557	229,101
Asia (Excluding Japan and Malaysia)	22,301	37,045
Europe	46,656	41,022
North America	88,719	66,362
Others	—	2
Total	1,822,395	1,960,937

(5) Major customers

Revenue from a single external customer accounting for 10% or more of revenue is as follows.

(In millions of yen)

	Name of related reportable segments	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Ryosan Company, Limited	Automotive, Industrial/ Infrastructure/IoT	141,325	—
WT Microelectoronics Co.,Ltd	Automotive, Industrial/ Infrastructure/IoT	127,845	—

(Note) For the current fiscal year, there were no transactions with a single external customer accounting for 10% or more of revenue and therefore, the amount of revenue is omitted from the above table.

7. Business Combinations

Business combinations implemented during the previous fiscal year and the current fiscal year are as follows. Business combinations which are not material individually or collectively are omitted.

(Previous Fiscal Year (from January 1, 2021 to December 31, 2021))
(Dialog Semiconductor Plc)

a. Overview of business combination

The Company made an acquisition of the entire issued and to be issued share capital of Dialog Semiconductor Plc (hereinafter “Dialog”) on August 31, 2021. Following the completion of the acquisition, Dialog has become a wholly-owned subsidiary of the Company (hereinafter “the Dialog Acquisition”).

1) Name and overview of the acquiree

Name of the acquiree: Dialog Semiconductor Plc
Business overview: Development, manufacturing and sales of analog ICs such as mixed-signal devices.

2) Date of the acquisition

August 31, 2021. (LONDON, United Kingdom: August 30, 2021)

3) Purpose of the acquisition

Dialog is an innovative provider of highly-integrated and power-efficient mixed-signal ICs for a broad array of customers within IoT, consumer electronics and high-growth segments of automotive and industrial end-markets. Centered around its low-power and mixed-signal expertise, Dialog brings a wide range of product offerings including battery and power management, power conversion, configurable mixed-signal (CMIC), LED drivers, custom mixed-signal ICs (ASICs) and automotive power management ICs (PMICs), wireless charging technology, and more. Dialog also offers broad and differentiated Bluetooth® Low Energy, WiFi and audio system-on-chips (SoCs) that deliver advanced connectivity for a wide range of applications; from smart home/building automation, wearables, to connected medical. All these systems complement and expand Renesas’ leadership portfolio in delivering comprehensive solutions to improve performance and efficiency in high-computing electronic systems.

The Dialog acquisition demonstrates Renesas’ continued and unwavering commitment to further advance its solution offering. The complementary nature of the companies’ technological assets and the scale of the combined portfolios will enable Renesas to build more robust and comprehensive solutions to serve high-growth segments of the IoT and automotive markets. Renesas believes there is a compelling strategic rationale for the Dialog acquisition because it:

(i) Scales Renesas’ IoT sector capabilities with Dialog’s low-power technologies

Dialog has a differentiated portfolio of low-power mixed-signal products, decades of experience in developing custom and configurable solutions for the world’s largest customers and expertise in low-power connectivity that are highly complementary to Renesas. The Dialog acquisition of these low-power technologies enhances Renesas’ product portfolio and expands horizons in addressing high-growth markets in the IoT field.

(ii) Unlocks further differentiation to Renesas system solution with connectivity

Bringing together Renesas and Dialog will extend the Group's reach to a broader customer base and open up additional growth potential in the key growth segments: industrial infrastructure, IoT and automotive. Dialog’s BLE, WiFi and audio SoCs are highly complementary to Renesas’ microcontroller (MCU)-based solutions. Combining Dialog’s innovative low-power Wi-Fi and Bluetooth® SoC and expertise with Renesas’ technologies will enable Renesas to further differentiate its system solution offering and extend its footprint in high-growth segments, including contactless IoT applications for smart home/building automation and healthcare. Renesas’ automotive solutions will also be enriched with connectivity for a wide range of security and safety applications.

4) Acquisition Method

Renesas implemented a scheme of arrangement pursuant to UK law. The scheme of arrangement is a method of acquisition whereby with the agreement of Dialog, the Dialog acquisition can be executed by obtaining approvals from Dialog shareholders and the Court.

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash		623,892
Restricted stock units		7,183
Total	A	631,075

Expenses related to the acquisition were 4,589 million yen, which were recorded in “Selling, general and administrative expenses” for the previous fiscal year. Details of the consideration for acquisition in restricted stock units are described in “Note 32. Share-based Payments.”

c. Fair value of assets acquired, liabilities assumed and goodwill

(In millions of yen)

		Date of acquisition (August 31, 2021)
Current assets		
Cash and cash equivalents		40,450
Trade and other receivables (Note 2)		39,808
Inventories		34,748
Other		8,842
Total current assets		123,848
Non-current assets		
Property, plant and equipment		10,771
Intangible assets		40,303
Other		2,376
Total non-current assets		53,450
Total assets		177,298
Current liabilities		
Trade and other payables		14,825
Other		36,848
Total current liabilities		51,673
Non-current liabilities		
Other non-current financial liabilities		2,881
Deferred tax liabilities		4,445
Other		3,238
Total non-current liabilities		10,564
Total liabilities		62,237
Net assets	B	115,061
Basis adjustment (Note 3)	C	3,604
Goodwill (Note 4)	A-B+C	519,618

(Note) 1. As of the end of the previous fiscal year, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed, except for certain inventories for which the valuation was able to be completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Dialog.

2. The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.

3. The Company has entered into currency options and forward exchange contracts to hedge the foreign exchange risk against EUR-denominated acquisition consideration payments and adopted hedge accounting. The hedging instruments were settled in cash at the fair value on the acquisition date. The basis adjustment is the amount of change in the fair value of the hedging instruments recorded in other comprehensive income on the acquisition date and were added to the amount of goodwill.

4. Goodwill reflects future excess earning power expected from synergies between the Company and Dialog. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

Item	Amount
Consideration for acquisition in cash	623,892
Cash and cash equivalents held by the acquiree at the time of obtaining control	(40,450)
Amount of cash paid for the acquisition of subsidiaries	583,442
Basis adjustment	3,604
Amount of cash paid for the acquisition of subsidiaries (net amount)	587,046

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the fiscal year (unaudited information)

Assuming that the date of the acquisition of Dialog was at the beginning of the fiscal year, revenue and profit for the previous fiscal year would be 1,093,258 million yen and 156,593 million yen, respectively. As of the end of the previous fiscal year, the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized. As a result, the adjustments such as amortization of intangible assets are not reflected in the aforementioned revenue and profit figures. The pro forma information is not necessarily indicative of events that may happen in the future.

In addition, in order to prepare this information, Dialog's past financial information has been adjusted for significant differences to comply with the Company's accounting policies.

f. Revenue and profit / loss of the acquired company

From the acquisition date to the end of the previous fiscal year, the Company recorded the revenue of Dialog of 66,757 million yen and profit of 4,545 million yen in the Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income.

(Celeno Communications Inc.)

a. Overview of business combination

On December 20, 2021, the Company made an acquisition of the entire issued share capital of Celeno, a semiconductor company in the United States of America which mainly operates its business in Israel. Following the completion of the acquisition, Celeno has become a wholly-owned subsidiary of the Company (hereafter “the Celeno Acquisition”).

1) Name and overview of the acquiree

Name of the acquiree: Celeno Communications Inc.

Business overview: Development and sale of connectivity devices such as Wi-Fi 5, Wi-Fi 6 and IoT chipsets.

2) Date of the acquisition

December 20, 2021.

3) Purpose of the acquisition

Headquartered in Israel, Celeno offers a wide range of wireless communication solutions, including advanced Wi-Fi chipsets and software solutions, for high-performance home networks, smart buildings, enterprise and industrial markets. Its industry’s most compact chipset offerings for Wi-Fi 6 and 6E deliver exceptional Wi-Fi network performance and increased security with low latency and low power consumption. Celeno’s breakthrough Wi-Fi Doppler Imaging technology, a Wi-Fi based, high-resolution imaging technology is ideal for home elderly care and assisted living, home security, safe driving and digital and connected factories. It depicts, tracks and analyzes the motion, behavior and location of people and objects using standard Wi-Fi, eliminating the need for multiple cameras or sensors in home environments and commercial buildings. As the world’s No.1 embedded processor supplier, Renesas offers a breadth of low-power MCU/MPU/SoC processors, wireless ICs, sensors and power management technologies. Celeno’s field-proven Wi-Fi and software capabilities are highly complementary to Renesas. The combination creates a comprehensive, end-to-end embedded solutions for addressing the fast-growing markets for low-power connectivity in IoT, infrastructure, industrial and automotive applications.

In addition to expanding the solution offering, the Celeno Acquisition also increases Renesas’ engineering and design scale with Celeno’s design center in Israel and by welcoming R&D staff based in Israel, Ukraine, India, China, Taiwan and more. This further strengthens Renesas’ global engineering and software development talent base, allowing Renesas to bring more seamless and expanded services to customers around the globe.

4) Acquisition Method

For the purpose of the Celeno Acquisition, Renesas established a wholly-owned subsidiary (“Acquisition Subsidiary”) in Delaware, the United States of America which merged with Celeno in a reverse triangular merger. Celeno was the surviving company following the merger. The Company paid cash to Celeno's shareholders as consideration for the merger. The shares of the Acquisition Subsidiary owned by Renesas were converted into outstanding shares in Celeno, making Celeno a wholly-owned subsidiary of Renesas.

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash		28,037
Contingent consideration		4,681
Total	A	32,718

Expenses related to the acquisition were 508 million yen, which were recorded in “Selling, general and administrative expenses” for the previous fiscal year.

c. Fair value of assets acquired, liabilities assumed and goodwill

(In millions of yen)

		Date of acquisition (December 20, 2021)
Current assets		
Cash and cash equivalents		267
Trade and other receivables (Note 2)		375
Inventories		3,024
Other		396
Total current assets		4,062
Non-current assets		
Property, plant and equipment		103
Intangible assets		844
Other		2
Total non-current assets		949
Total assets		5,011
Current liabilities		
Trade and other payables		2,715
Bonds and borrowings		2,185
Other		1,586
Total current liabilities		6,486
Non-current liabilities		
Total non-current liabilities		—
Total liabilities		6,486
Net assets	B	(1,475)
Goodwill (Note 3)	A-B	34,193

(Note) 1. As of the end of the previous year, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed, except for certain inventories for which the valuation was able to be completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Celeno.

2. The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.

3. Goodwill reflects future excess earning power expected from synergies between the Company and Celeno. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

Item	Amount
Consideration for acquisition in cash	28,037
Cash and cash equivalents held by the acquiree at the time of obtaining control	(267)
Amount of cash paid for the acquisition of subsidiaries (net amount)	27,770

The acquisition consideration may change due to price adjustments in response to changes in working capital.

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the fiscal year (unaudited information)

Assuming that the date of the acquisition of Celeno was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the previous fisal year would not be material.

f. Revenue and profit / loss of the acquired company

For the previous fiscal year, the revenue and profit of Celeno from the acquisition date to the previous fiscal year had no significant impact in the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes $45 million which will be paid when certain conditions related to Celeno’s future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Celeno, with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is level 3. Since the fluctuation after the acquisition date of the contingent consideration classified in Level 3 is negligible, the reconciliation table is not presented. Of the amount of change in fair value related to contingent consideration, the portion based on fluctuations in the time value of money is recorded in "financial expenses", and the portion based on fluctuations other than the time value of money is recorded in "other income" or "other expenses".

(Current Fiscal Year (from January 1, 2022 to December 31, 2022))

(Dialog Semiconductor Plc)

As of the end of the previous fiscal year, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. For the current fiscal year, the Group has completed the purchase price allocation and revised the goodwill amount as follows:

Fair value of assets acquired and liabilities assumed on the acquisition date (August 31, 2021)

(In millions of yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 1)	519,618
Inventories	316
Property, plant and equipment	(2,531)
Intangible assets (Note 2)	(146,963)
Other (Non-current assets)	(125)
Other (Current liabilities)	(1,458)
Other financial liabilities	345
Deferred tax liabilities	29,731
Other (Non-current liabilities)	(763)
Total adjustments	(121,448)
Goodwill (after adjustment) (Note 1)	398,170

(Note) 1 Goodwill reflects future excess earning power expected from synergies between the Company and Dialog. No amount of goodwill is expected to be deductible for tax purposes.

2 The amount allocated to intangible assets is mainly developed technology, and the fair value of such intangible assets is measured using the excess earnings method based on assumptions such as future business plans and discount rates.

The consolidated statement of financial position as of the end of the previous fiscal year has been revised retrospectively upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 127,106 million yen and retained earnings has decreased by 7,725 million yen. Property, plant and equipment, intangible assets, and deferred tax liabilities have increased by 2,436 million yen, 144,165 million yen, and 29,150 million yen, respectively.

In addition, operating profit has decreased by 9,774 million yen and profit has decreased by 7,725 million yen in the consolidated statement of profit or loss for the previous fiscal year. Total comprehensive income has decreased by 8,062 million yen in the consolidated statement of comprehensive income for the previous fiscal year.

(Celeno Communications Inc.)

As of the end of the previous fiscal year, the acquisition was accounted for using provisional amounts determined based on reasonable information available at the time of preparing consolidated financial statements. Since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date had not been finalized, the purchase price allocation was provisionally accounted for. For the current fiscal year, the Group has completed the purchase price allocation and revised the goodwill amount as follows. Adjustment in consideration for the acquisition is reflected for current fiscal year.

Fair value of assets acquired and liabilities assumed on the acquisition date (December 20, 2021)

(In millions of yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	34,193
Inventories	166
Intangible assets	(18,644)
Deferred tax liabilities	409
Adjustment in consideration for the acquisition (Cash)	26
Total adjustments	(18,043)
Goodwill (after adjustment) (Note)	16,150

(Note) Goodwill reflects future excess earning power expected from synergies between the Company and Celeno. No amount of goodwill is expected to be deductible for tax purposes.

The consolidated statement of financial position as of the end of the previous fiscal year has been revised retrospectively upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 18,042 million yen and intangible assets has increased by 18,644 million yen.

In addition, the impact of the revision on the consolidated statement of profit or loss and consolidated statement of comprehensive income for the previous fiscal year is immaterial.

Contingent consideration includes $45 million which will be paid based on the contract when several certain conditions (milestones) related to Celeno's future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Celeno with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Beginning balance	—	4,681
Settlement	—	(2,205)
Changes in fair value	—	(2,201)
Exchange differences	—	990
Ending balance	—	1,265

Of the amount of change in fair value related to contingent consideration, the fluctuated amount due to the time value of money is recorded in "Finance costs," and the fluctuated amount due to factors other than the time value of money is recorded in "Other income" and "Other expenses." For the current fiscal year, 2022, other income of 2,464 million yen and finance costs of 263 million yen were recorded for the change of fair value.

(Steradian Semiconductors Private Limited)

a. Overview of business combination

On October 17, 2022, the Company completed the acquisition of Steradian Semiconductors Private Limited (hereinafter “Steradian”), a fabless semiconductor company providing 4D imaging radar solutions, headquartered in Bengaluru, India. Following the completion of the acquisition, Steradian has become a wholly-owned subsidiary of the Company.

1) Name and overview of the acquiree

Name of the acquiree: Steradian Semiconductors Private Limited.

Business overview: 4D imaging radar solutions.

2) Date of the acquisition

October 17, 2022.

3) Purpose of the acquisition

Headquartered in Bengaluru, India, Steradian is a start-up founded in 2016 and provides radar solutions that enable highly accurate object recognition and power efficiency in a small chip. Radar is a vital technology for ADAS (Advanced Driver Assistance Systems), which uses a complex combination of various sensors in vehicles to detect objects. Renesas plans to capitalize on the high growth opportunities the automotive radar market offers, by expanding its automotive product portfolio with Steradian’s radar technology and extending its reach in the radar market.

The resulting automotive radar solutions will combine the new automotive radar products, Renesas’ ADAS SoCs (System-on-Chips) for processing radar signals, power management ICs (PMICs), and timing products together with software for object recognition. Together, these solutions will simplify the design of automotive radar systems and contribute to faster product development.

The combination of Steradian's leading-edge radar technology and engineering talent will boost Renesas’ sensing solution offerings in a wide array of applications including industrial systems. Renesas will bring together the best possible device combination and software to meet the growing demand for sensor technology solutions and continue to make engineers’ design work easier.

4) Acquisition Method

Acquisition of shares for cash consideration.

b. Consideration for the acquisition and its breakdown

(In millions of yen)

Consideration		Amount
Cash		4,971
Fair value of equity interest held just prior to the acquisition date		843
Contingent consideration		1,207
Total	A	7,021

Expenses related to the acquisition were 345 million yen, which were recorded in “Selling, general and administrative expenses” for the current fiscal year.

c. Fair value of assets acquired, liabilities assumed and goodwill

(In millions of yen)

		Date of acquisition (October 17, 2022)
Current assets		
Cash and cash equivalents		101
Trade and other receivables (Note 2)		2
Income taxes receivable		19
Other		51
Total current assets		173
Non-current assets		
Property, plant and equipment		19
Intangible assets		5
Deferred tax assets		2
Total non-current assets		26
Total assets		199
Current liabilities		
Trade and other payables		16
Income taxes payable		13
Other		739
Total current liabilities		768
Non-current liabilities		
Retirement benefit liability		5
Other		14
Total non-current liabilities		19
Total liabilities		787
Net assets	B	(588)
Goodwill (Note 3)	A-B	7,609

(Note) 1 As of the end of the current fiscal year, the acquisition was accounted for using provisional amounts determined based on reasonable information currently available, and since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, the purchase price allocation is still preliminary. Currently the valuation of property, plant and equipment and additional recognition of intangible assets, among other assets and liabilities, have not been completed. As a result, goodwill was provisionally recognized as the total amount of the excess of the consideration transferred over the net amount of the assets acquired and liabilities assumed. The identifiable intangible assets are tentatively recorded at the book value as carried by Steradian.

2 The total contract amount is the same as the fair value, and there are no receivables that are expected to be unrecoverable.

3 Goodwill reflects future excess earning power expected from synergies between the Company and Steradian. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In millions of yen)

Item	Amount
Consideration for acquisition in cash	4,971
Cash and cash equivalents held by the acquiree at the time of obtaining control	(101)
Amount of cash paid for the acquisition of subsidiaries (net amount)	4,870

The acquisition consideration may change due to price adjustments in response to changes in working capital.

e. Impact on revenue and profit as though the date of the acquisition had been as of the beginning of the fiscal year (unaudited information)

Assuming that the date of the acquisition of Steradian was at the beginning of the fiscal year, the pro forma information is not stated since the impact on the consolidated revenue and profit for the current fiscal year would not be material.

f. Revenue and profit / loss of the acquired company

For the current fiscal year, the revenue and profit of Steradian from the acquisition date to the end of the current fiscal year had no significant impact on the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes $11 million which will be paid when certain conditions related to Steradian’s future product development and mass production progress are met.

The fair value of the contingent consideration is calculated as the present value of the amount that may be paid to Steradian, with consideration of the probability of occurrence.

The level of the fair value hierarchy for the contingent consideration is Level 3. The reconciliation table of the change for the contingent consideration classified in Level 3 from the beginning balance to the ending balance is as described below.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Beginning balance	—	—
Increase due to the business combination	—	1,207
Exchange differences	—	(129)
Ending balance	—	1,078

h. Gain on step acquisitions

As a result of revaluing the equity interest (10.64%) of the acquired company held just prior to the acquisition date at fair value on the acquisition date, the Group recognized a gain on step acquisition of 447 million yen. The gain on step acquisition is recorded in “Equity instruments measured at fair value through other comprehensive income” in the consolidated statement of comprehensive income.

8. Cash and Cash Equivalents

The components of cash and cash equivalents are as described below. The balance of "Cash and cash equivalents" in the consolidated statement of financial position and the balance of "Cash and cash equivalents" in the consolidated statement of cash flows as of the end of the previous fiscal year and the end of the current fiscal year are the same.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Cash and deposits	216,364	313,413
Short-term investments	5,560	22,655
Total	221,924	336,068

(Note) Cash and cash equivalents are classified as financial assets measured at amortized cost.

9. Trade and Other Receivables

The components of trade and other receivables are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Notes and trade receivables	136,810	158,242
Other receivables	3,737	4,538
Loss allowance	(69)	(157)
Total	140,478	162,623

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

10. Inventories

The components of inventories are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Merchandise and finished goods	38,424	53,282
Work in progress	90,016	119,727
Raw materials and supplies	9,319	14,949
Total	137,759	187,958

(Note) The amount of inventories recognized as expenses approximates “Cost of sales.” For write-downs of inventories previously recognized as an expense as a result of declining profitability, using the reversal method (figures in parentheses represent reversals) (3,916) million yen and 6,292 million yen were included in “Cost of sales” in the previous fiscal year and the current fiscal year, respectively.

11. Other Assets and Liabilities

The components of other current assets and other non-current assets are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Prepaid expenses	16,060	24,922
Consumption taxes receivable	1,766	2,376
Other	3,617	4,213
Total	21,443	31,511
Current assets	12,352	17,320
Non-current assets	9,091	14,191

The components of other current liabilities and other non-current liabilities are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current Fiscal Year (as of December 31, 2022)
Accrued expenses	57,203	62,994
Paid leave payables	11,280	11,444
Advances received	881	643
Other	12,022	11,919
Total	81,386	87,000
Current liabilities	75,623	81,565
Non-current liabilities	5,763	5,435

12. Property, Plant and Equipment

(1) Movement during the fiscal year

The changes in acquisition cost, accumulated depreciation and impairment losses, and the carrying amounts of property, plant and equipment are as follows.

A. Acquisition Cost

(In millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2021)	215,839	680,085	130,693	20,816	23,493	12,200	1,083,126
Acquisition	197	2,960	2,629	2,781	—	197	2,960
Acquisition due to business combination	1,124	4,426	3,186	4,529	—	140	13,405
Sales or disposal	(31,327)	(81,196)	(8,189)	(2,923)	(118)	(572)	(124,325)
Transfer from construction in progress	1,008	36,479	8,392	—	—	(45,879)	—
Exchange differences	3,001	15,208	2,890	1,299	297	171	22,866
Other	(62)	(476)	(528)	(169)	—	472	(763)
Balances as of December 31, 2021	189,780	657,486	139,073	26,333	23,672	11,137	1,047,481
Acquisition	438	9,311	5,029	3,097	—	45,140	63,015
Acquisition due to business combination	—	18	3	—	—	—	21
Sales or disposal	(3,594)	(74,945)	(6,956)	(5,970)	(355)	(244)	(92,064)
Transfer from construction in progress	2,974	28,001	12,064	—	1	(43,040)	—
Exchange differences	4,161	17,967	4,672	1,699	451	319	29,269
Other	(124)	(159)	(471)	(89)	9	882	48
Balances of the current fiscal year (as of December 31, 2022)	193,635	637,679	153,414	25,070	23,778	14,194	1,047,770

B. Accumulated depreciation and impairment losses

(In millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2021)	(158,721)	(614,193)	(112,704)	(8,233)	(1,351)	(570)	(895,772)
Depreciation	(4,990)	(38,407)	(11,254)	(4,301)	—	—	(58,952)
Impairment losses	(1)	(64)	(64)	(17)	—	—	(146)
Sales or disposal	28,804	80,878	8,137	2,477	26	570	120,892
Exchange differences	(1,287)	(12,038)	(2,297)	(444)	—	—	(16,066)
Other	90	(495)	965	168	—	—	728
Balances as of December 31, 2021	(136,105)	(584,319)	(117,217)	(10,350)	(1,325)	—	(849,316)
Depreciation	(4,955)	(34,699)	(13,335)	(5,219)	—	—	(58,208)
Impairment losses	(94)	(128)	(66)	(301)	(314)	—	(903)
Sales or disposal	2,385	74,731	6,869	5,266	26	—	89,277
Exchange differences	(1,812)	(14,152)	(3,892)	(1,070)	—	—	(20,926)
Other	6	149	350	(157)	—	—	348
Balances of the current fiscal year (as of December 31, 2022)	(140,575)	(558,418)	(127,291)	(11,831)	(1,613)	—	(839,728)

C. Carrying amount

(In millions of yen)

	Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Right-of-use assets	Land	Construction in progress	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2021)	57,118	65,892	17,989	12,583	22,142	11,630	187,354
Balances of the previous fiscal year (as of December 31, 2021)	53,675	73,167	21,856	15,983	22,347	11,137	198,165
Balances of the current fiscal year (as of December 31, 2022)	53,060	79,261	26,123	13,239	22,165	14,194	208,042

(Note) 1. The amount of property, plant and equipment under construction is presented as construction in progress.
2. For property, plant and equipment on which a mortgage is placed as collateral for liabilities, see “Note 19. Bonds and Borrowings.”
3. For commitments to the acquisition of property, plant and equipment, see “Note 36. Commitments and Contingencies.”
4. Depreciation is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
5. Impairment losses are included in “Other expenses” in the consolidated statement of profit or loss. For details on impairment losses, see “Note 15. Impairment of Non-financial Assets.” The reversal of impairment (122 million yen) recognized for right-of-use assets in the current fiscal year is included in impairment losses above. The reversal of impairment is included in “Other income” in the consolidated statement of profit or loss.
6. There are no borrowing costs included in the cost of property, plant and equipment.
7. For details on right-of-use assets, see “Note 14. Leases.”

13. Goodwill and Intangible Assets

(1) Movement during the fiscal year

The changes in acquisition cost, accumulated amortization and impairment losses, and the carrying amounts of goodwill and intangible assets are as follows.

A. Acquisition cost

(In millions of yen)

	Goodwill	Intangible assets					
		Software	Capitalized development costs	Developed technology	Customer relationships	Other	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2021)	590,459	81,217	8,427	347,113	97,485	109,605	643,847
Internally developed	—	1,298	933	—	—	—	2,231
Acquisitions	—	1,632	—	—	—	6,024	7,656
Acquisition due to business combination	414,320	140	—	152,566	34,715	19,333	206,754
Reclassification	—	—	—	7,628	—	(7,628)	—
Sales or disposal	—	(4,605)	(2,230)	(51)	—	(23,027)	(29,913)
Exchange differences	84,673	527	—	43,637	10,921	3,171	58,256
Other	—	6	—	—	—	212	218
Balances of the previous fiscal year (as of December 31, 2021)	1,089,452	80,215	7,130	550,893	143,121	107,690	889,049
Internally developed	—	1,335	751	—	—	—	2,086
Acquisitions	—	1,892	—	—	—	7,503	9,395
Acquisition due to business combination	9,410	—	—	227	—	5	232
Reclassification	—	—	—	908	—	(908)	—
Sales or disposal	—	(2,494)	(1,715)	(1,264)	—	(2,400)	(7,873)
Exchange differences	166,595	829	—	81,824	20,378	6,864	109,896
Other	—	(25)	—	—	—	(285)	(310)
Balances of the current fiscal year (as of December 31, 2022)	1,265,457	81,752	6,166	632,588	163,499	118,470	1,002,475

B. Accumulated amortization and impairment losses

(In millions of yen)

	Goodwill	Intangible assets					
		Software	Capitalized development costs	Developed technology	Customer relationships	Other	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2021)	—	(65,218)	(4,375)	(123,436)	(23,623)	(62,431)	(279,083)
Amortization	—	(6,188)	(1,638)	(56,437)	(8,450)	(13,601)	(86,314)
Impairment losses	—	(17)	—	—	—	—	(17)
Sales or disposal	—	4,367	2,230	51	—	22,987	29,635
Exchange differences	—	(418)	—	(14,573)	(1,877)	(1,532)	(18,400)
Other	—	8	—	—	—	(100)	(92)
Balances of the previous fiscal year (as of December 31, 2021)	—	(67,466)	(3,783)	(194,395)	(33,950)	(54,677)	(354,271)
Amortization	—	(5,266)	(1,363)	(84,092)	(14,852)	(19,308)	(124,881)
Impairment losses	—	—	—	—	—	(7,007)	(7,007)
Sales or disposal	—	2,494	1,715	1,264	—	2,081	7,554
Exchange differences	—	(705)	—	(28,978)	(3,945)	(3,087)	(36,715)
Other	—	105	1	—	—	177	283
Balances of the current fiscal year (as of December 31, 2022)	—	(70,838)	(3,430)	(306,201)	(52,747)	(81,821)	(515,037)

C. Carrying amount

(In millions of yen)

	Goodwill	Intangible assets					
		Software	Capitalized development costs	Developed technology	Customer relationships	Other	Total
Balances at the beginning of the previous fiscal year (as of January 1, 2021)	590,459	15,999	4,052	223,677	73,862	47,174	364,764
Balances of the previous fiscal year (as of December 31, 2021)	1,089,452	12,749	3,347	356,498	109,171	53,013	534,778
Balances of the previous fiscal year (as of December 31, 2022)	1,265,457	10,914	2,736	326,387	110,752	36,649	487,438

(Note)
1. For software in intangible assets, the carrying amount classified as internally generated assets was 636 million yen as of the end of the previous fiscal year and 526 million yen as of the end of the current fiscal year.
2. Construction in progress related to software is included in “Software” under intangible assets.
3. For other in intangible assets, the carrying amount of intangible assets acquired through software license contracts (as license fees) was 29,761 million yen as of the end of the previous fiscal year and 21,096 million yen as of the current fiscal year. In addition, the balances are mainly amortized using the straight-line method based on the available license period (5 years or less).
4. There are no intangible assets with restrictions on ownership or intangible assets on which a mortgage is placed as collateral for liabilities.
5. For commitments related to the acquisition of intangible assets, see “Note 36. Commitments and Contingencies.”
6. Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of profit or loss.
7. Impairment losses are included in “Other expenses” in the consolidated statement of profit or loss. For details on impairment losses, see “Note 15. Impairment of Non-financial Assets.”

(2) Significant intangible assets

Major intangible assets are developed technology acquired in the business combination with former Intersil in February 2017, former IDT in March 2019, Dialog in August 2021 and Celeno in December 2021. The carrying amount of developed technology acquired in the business combination was 356,498 million yen as of the end of the previous fiscal year and 326,387 million yen as of the end of the current fiscal year (of which the carrying amount of developed technology identified under Dialog's PPA are 141,370 million yen and 134,474 million yen, respectively), and the remaining amortization period as of the end of the current fiscal year is 1 to 10 years. The carrying amount of customer relationships was 109,171 million yen as of the end of the previous fiscal year and 110,752 million yen as of the end of the current fiscal year, and the remaining amortization period as of the end of the current fiscal year is 3 to 11 years.

(3) Intangible assets not yet available for use

The carrying amount of intangible assets not yet available for use is included in “Other” and was 12,767 million yen as of the end of the previous fiscal year and 6,768 million yen as of the end of the current fiscal year and represents in-process research and development. In-process research and development is reclassified as “Developed technology” and starts to be amortized when the development has been completed and the related technology has been put in operational use. The amount of reclassification was 7,628 million yen for the previous fiscal year and 908 million yen for the current fiscal year.

14. Leases

(1) Leases as lessee

A. Lease expenses, income and cash flows

Lease expenses, income and cash flows are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Depreciation charge for right-of-use assets by class of underlying asset		
Land	92	89
Buildings	2,812	3,892
Machinery, equipment and vehicles	1,268	1,078
Tools, furniture and fixtures	129	160
Total	4,301	5,219
Interest expense on lease liabilities	243	211
Expense relating to short-term leases	2,734	3,079
Expense relating to leases of low-value assets (excluding short-term leases)	349	488
Expense relating to variable lease payments which are not reflected in the measurement of lease liabilities	—	—
Income from subleasing right-of-use assets	—	—
Total cash outflows for leases	7,926	9,678
Gain (loss) from sale and leaseback transactions	—	(66)

B. Right-of-use assets which are included in the carrying amount of property, plant and equipment

The carrying amount and the increase/decrease in carrying amount of right-of-use assets which are included in the carrying amount of property, plant and equipment are as follows.

(In millions of yen)

	Balance as of December 31, 2021	Balance as of December 31, 2022
Land	118	44
Buildings	12,768	10,606
Machinery, equipment and vehicles	2,871	2,295
Tools, furniture and fixtures	226	294
Total	15,983	13,239

(Note) The increased amount of right-of-use assets for the current fiscal year was 3,097 million yen.

C. Nature of the leasing activities

The Group leases land, building, machinery, equipment and vehicles.

The terms of lease contracts are negotiated individually and include a wide variety of the terms of contracts.

D. Options of extension and termination

The options of extension and termination are included in many lease contracts for buildings, machinery and equipment. The lease term for office buildings is mainly from 3 to 10 years and for machinery and equipment, its term is from 3 to 5 years. Some contracts include an option to extend the lease for a period of one year or the same lease years for the current lease contract after the termination date. In addition, some contracts include an option for early termination when the lessee notifies the lessor between six months to one year before the termination date.

These options will be utilized to maximize operational flexibility from the point of asset management used in the Group’s businesses.

15. Impairment of Non-financial Assets

The Group recorded impairment losses for the assets below. Impairment losses are included in “Other expenses” in the consolidated statement of profit or loss.

The components of assets for which the impairment losses are recorded are as follows.

Previous fiscal year (from January 1, 2021 to December 31, 2021)

(In millions of yen)

	Reportable segments		Total
	Automotive	Industrial/ Infrastructure/IoT	
Property, plant and equipment	76	42	118
Intangible assets	8	9	17
Total	84	51	135

Current Fiscal Year (from January 1, 2022 to December 31, 2022)

(In millions of yen)

	Reportable segments		Total
	Automotive	Industrial/ Infrastructure/IoT	
Property, plant and equipment	639	387	1,026
Intangible assets	13	6,994	7,007
Total	652	7,381	8,033

(Note) 1. Impairment losses recognized as for right-of-use assets are included in the impairment losses of property, plant and equipment. The amount included in the impairment losses of property, plant and equipment for the previous fiscal year and the current fiscal year was 17 million yen and 424 million yen, respectively.

2. Impairment losses on certain in-process research and development projects assets that are discontinued are included in the impairment losses of intangible assets. The amount included in the impairment losses of intangible assets was 6,432 million yen for the current fiscal year.

3. Impairment losses recognized for lands are included in the impairment losses of property, plant and equipment. The amount included in the impairment losses of property, plant and equipment was 314 million yen for the current fiscal year.

(1) Impairment losses

The Group assesses impairment at the grouping level of a smallest identifiable group that generates cash inflows that are largely independent, based on the categories used for business management. The Group assesses impairment by each individual asset for significant assets to be disposed of and idle assets.

Previous fiscal year (from January 1, 2021 to December 31, 2021)

(Assets to be disposed of)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generating units for the assets that have been decided to be disposed and writes down the carrying amount of assets to their recoverable amount. As a result, the Group has recorded impairment losses of 82 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero for assets difficult to sell or the selling amount is estimated and the hierarchy level of the fair value is Level 3.

(Idle assets)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generation units, writes down the carrying amount of idle assets that are unlikely to be used to their recoverable amount, and recorded impairment losses of 53 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero because it is difficult to sell these assets, and the hierarchy level of the fair value is Level 3.

Current fiscal year (from January 1, 2022 to December 31, 2022)

(Assets to be disposed of)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generating units for the assets that have been decided to be disposed and writes down the carrying amount of assets to their recoverable amount. As a result, the Group has recorded impairment losses of 586 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero for assets difficult to sell or the selling amount is estimated and the hierarchy level of the fair value is Level 3.

(Idle assets)

For the Automotive and Industrial/Infrastructure/IoT business, the Group performs impairment tests as independent cash-generation units, writes down the carrying amount of idle assets that are unlikely to be used to their recoverable amount, and recorded impairment losses of 701 million yen.

The recoverable amount is measured at the fair value after deducting disposal costs. The fair value after deducting disposal costs is set at zero because it is difficult to sell these assets, and the hierarchy level of the fair value is Level 3.

(2) Impairment test of goodwill and intangible assets not yet available for use

The Group performs impairment tests for cash-generating units to which goodwill and intangible assets not yet available for use are allocated at a certain time each fiscal year and whenever there is any indication of impairment.

Goodwill recorded in the consolidated statement of financial position was recognized when the Company merged with former Intersil in December, 2017 and former IDT in December, 2019 and Dialog and Celeno in December, 2021,and it is allocated to the cash-generating units of the Group expected to provide future excess earning power arising from synergies of these business combinations.

In the impairment test, goodwill and intangible assets not yet available for use that were allocated to the cash-generating units of the Group are as follows.

(In millions of yen)

	Reportable segments	Cash-generating units	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Goodwill	Automotive	Automotive	263,408	303,897
	Industrial/ Infrastructure/IoT	Industrial/ Infrastructure/IoT	826,044	954,792
In-process research and development	Automotive	Automotive	2,300	1,991
	Industrial/ Infrastructure/IoT	Industrial/ Infrastructure/IoT	10,467	4,777

(Note) Regarding the goodwill and intangible assets not yet available for use recognized in connection with the acquisitions of Dialog and Celeno in the previous fiscal year, goodwill was 433,273 million yen and in-process research and development was 10,237 million yen as a result of reassessing the allocation of the acquisition cost in the current fiscal year. In addition, in the current fiscal year, goodwill (6,768 million yen) recognized in connection with the acquisition of Steradian is not included in the table above since the recognition and fair value measurement of the identifiable assets acquired and liabilities assumed at the acquisition date have not been finalized, and the allocation to the group of cash-generating units has not been completed. For details, please refer to “Note 7. Business Combinations.”

The recoverable amount of the cash-generating units is measured at the value in use. The value in use is calculated by discounting the cash flows, which is estimated based on the five-year business plan approved by management and the estimated permanent growth rate for the period thereafter, to the present value using the pre-tax discount rate. Significant assumptions which have an impact to the calculation of the value in use include gross margin in the business plan, permanent growth rate, discount rate and others. These assumptions are determined in the consideration of past experiences and external information.

Additionally, the Group includes the estimated impact of COVID-19 to estimates and assumptions which are based on information available and management believes to be reasonable at the moment.

For cash flows in a period beyond the target period of the future business plan approved by management, the value in use is calculated using the permanent growth rate as 1.8% the current fiscal year (1.7% in the previous fiscal year). The approved permanent growth rate is determined based on the estimated inflation rate of the market to which the cash-generating units belong.

The discount rates are the weighted average capital cost before tax. The discount rates used for the calculation of the value in use are 13.9% in the Automotive Business in the current fiscal year (10.1% in the previous fiscal year) and 15.7% in the Industrial/Infrastructure/IoT Business in the current fiscal year (10.8% in the previous fiscal year).

Because the recoverable amount of cash-generating units sufficiently exceeds the carrying amount in the current fiscal year, management believes that it is unlikely that the recoverable amount of the cash-generating units will be lower than the carrying amount even if the major assumptions (Gross margin/ Permanent growth rate/ Discount rate before tax) used in the impairment test are changed in a reasonable range.

The following table shows the range of reasonably expected fluctuation of the major assumptions (Gross margin/ Permanent growth rate/ Discount rate before tax) used in the impairment test.

Major assumptions	Cash-generating units	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Gross margin	Automotive	35~45%	35~45%
	Industrial/ Infrastructure/IoT	50~60%	50~60%
Permanent growth rate	Automotive	1.2~2.2%	1.3~2.3%
	Industrial/ Infrastructure/IoT		
Discount rate before tax	Automotive	8.1~12.1%	11.9~15.9%
	Industrial/ Infrastructure/IoT	9.8~11.8%	12.7~18.7%

The Group recognized no impairment losses during the current fiscal year and the previous year since the value in use of the cash generating units exceeded the carrying amount as a result of the impairment test.

16. Other Financial Assets

(1) Components of other financial assets

The components of other financial assets are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Stocks (Note 1)	8,849	10,749
Investment trust (Note 2)	5,475	5,900
Long-term accounts receivable (Note 3)	18,794	41,841
Derivative assets (Note 4)	123	21,945
Other (Note 5)	2,129	10,402
Total	35,370	90,837
Current assets	737	6,688
Non-current assets	34,633	84,149

(Note) 1. Stocks are classified either as equity instruments measured at fair value through other comprehensive income or financial assets measured at fair value through profit or loss (see “Note 33. Financial Instruments”).

2. Investment trust is classified as financial assets measured at fair value through profit or loss.

3. “Long-term accounts receivable” mainly includes financial assets measured at amortized cost which are recorded in accordance with the ship and debit programs. For details on the ship and debit programs, please refer to “Note 3. Significant Accounting Policies, (17) Revenue recognition.”

4. Derivative assets are classified as financial assets measured at fair value through profit or loss. For details, please refer to “Note 33. Financial Instruments.”

5. Term deposits with a deposit term of more than three months and security deposits are included in “Other.” These assets are classified as financial assets measured at amortized cost.

(2) Equity instruments measured at fair value through other comprehensive income

Name of major equity instruments and their fair value, etc. measured at fair value through other comprehensive income are as follows.

(In millions of yen)

Company name	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
LeddarTech Inc.	1,150	1,327

(3) Derecognized equity instruments measured at fair value through other comprehensive income

There were no derecognized equity instruments measured at fair value through other comprehensive income.

17. Income Taxes

(1) Components of and changes in deferred tax assets and deferred tax liabilities

The components of and changes in deferred tax assets and deferred tax liabilities by major causes of their occurrence are as follows.

(Previous fiscal year)

(In millions of yen)

	Previous fiscal year (as of January 1, 2021)	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	Previous fiscal year (as of December 31, 2021
Deferred tax assets					
Inventories	5,331	(1,104)	—	—	4,227
Property, plant and equipment and other	6,924	404	—	126	7,454
Research and development expense	723	1,506	—	—	2,229
Accrued expenses	11,503	3,670	—	—	15,173
Retirement benefit liability	5,127	(660)	452	—	4,919
Carryforward of unused tax losses	15,591	(381)	—	4,336	19,546
Carryforward of unused tax credits	9,102	(2,108)	—	1,996	8,990
Other	14,255	162	—	680	15,097
Subtotal	68,556	1,489	452	7,138	77,635
Deferred tax liabilities					
Intangible assets and other	(54,947)	5,515	—	(36,721)	(86,153)
Tax on undistributed earnings	(6,150)	(2,526)	—	—	(8,676)
Total income from specified foreign subsidiaries, etc.	(1,113)	(346)	—	—	(1,459)
Other	(4,426)	3,118	285	(3,575)	(4,598)
Subtotal	(66,636)	5,761	285	(40,296)	(100,886)
Net deferred tax assets (liabilities)	1,920	7,250	737	(33,158)	(23,251)

(Current fiscal year)

(In millions of yen)

	Current fiscal year (as of January 1, 2022)	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	Current fiscal year (as of December 31, 2022)
Deferred tax assets					
Inventories	4,227	1,127	—	—	5,354
Property, plant and equipment and other	7,454	(641)	—	79	6,892
Research and development expense	2,229	5,240	—	—	7,469
Accrued expenses	15,173	5,286	—	—	20,459
Retirement benefit liability	4,919	(771)	(829)	1	3,320
Carryforward of unused tax losses	19,546	(15,361)	—	—	4,185
Carryforward of unused tax credits	8,990	(4,391)	—	—	4,599
Other	15,097	6,828	—	—	21,925
Subtotal	77,635	(2,683)	(829)	80	74,203
Deferred tax liabilities					
Intangible assets and other	(86,153)	5,646	—	—	(80,507)
Tax on undistributed earnings	(8,676)	(666)	—	—	(9,342)
Total income from specified foreign subsidiaries, etc.	(1,459)	607	—	—	(852)
Other	(4,598)	(7,007)	2,456	—	(9,149)
Subtotal	(100,886)	(1,420)	2,456	—	(99,850)
Net deferred tax assets (liabilities)	(23,251)	(4,103)	1,627	80	(25,647)

(Note) The Group considers the possibility that a portion of, or all of, the deductible temporary differences or carryforward of unused tax losses can be utilized against future taxable profits in the recognition of deferred tax assets.

Deferred tax liabilities related to intangible assets and other include those that are related to an uncertain tax position at an overseas subsidiary and calculated using the expected value method.

The Group reflects the impact of COVID-19 to estimates and assumptions to a reasonable extent based on available information. The Group reflects the impact in estimating collectability of deferred tax assets.

The differences between total amount recognized in profit or loss and total amount of the deferred tax expenses are due to changes in foreign exchange rate.

(2) Deductible temporary differences, etc. for which no deferred tax assets are recognized

The amounts of deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credits for which no deferred tax assets are recognized are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Deductible temporary differences	2,689	4,497
Carryforward of unused tax losses	27,558	35,556
Carryforward of unused tax credits	20,432	24,177
Total	50,679	64,230

(Note) Deductible temporary differences and carryforward of unused tax losses are measured on an income basis, and carryforward of unused tax credits is measured on a tax amount basis.

The expiration schedule of the carryforward of unused tax losses for which no deferred tax assets are recognized is as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	—	—
Fifth year or thereafter	27,558	35,556
Total	27,558	35,556

The expiration schedule of the carryforward of unused tax credits for which no deferred tax assets are recognized is as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
First year	45	53
Second year	48	54
Third year	49	55
Fourth year	50	—
Fifth year or thereafter	20,240	24,015
Total	20,432	24,177

The Group adopts the consolidated taxation system in Japan. The above figures do not include the amount of the carryforward of unused tax losses for which no deferred tax asset is recognized for local taxes (residential tax and business tax) that are not subject to the consolidated taxation system in Japan. The amount of the carryforward of unused tax losses for local taxes (residential tax and business tax) was 17,185 million yen for residential tax and 97,101 million yen for business tax in the previous fiscal year (as of December 31, 2021) and 25,820 million yen for residential tax and 77,131 million yen for business tax in the current fiscal year (as of December 31, 2022).

(3) Components of income tax expense

The components of income tax expense are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Current tax expense		
Current tax expense	34,228	111,222
Tax expense from previous periods	1,177	489

Total current tax expense	35,405	111,711
Deferred tax expense		
Origination and reversal of temporary differences	1,686	(3,489)
Effects from tax regulation changes	(62)	(10)
Revaluation of deferred tax assets	(13,821)	(2,730)
Other	(177)	30
Total deferred tax expense	(12,374)	(6,199)
Total income tax expense	23,031	105,512

(Note) 1. Current tax expense in the current fiscal year does not include the amount of previously unrecognized tax loss, tax credits or benefits arising from temporary differences in past periods. Current tax expense in the previous fiscal year includes the amount of previously unrecognized tax loss, tax credits or benefits arising from temporary differences in past periods, and current tax expense has decreased by 16,226 million yen.

2. Deferred tax expense in the current fiscal year does not include the amount of previously unrecognized tax loss, tax credits or benefits arising from temporary differences in past periods. Deferred tax expense in the previous fiscal year includes the amount of previously unrecognized tax loss, tax credits or benefits arising from temporary differences in past periods, and deferred tax expense has decreased by 2,369 million yen.

3. Deferred tax expense in the current fiscal year does not include the deferred tax expenses arising from the write-down of deferred tax assets or the reversal of previously recorded write-downs. Deferred tax expense in the previous fiscal year includes the deferred tax expenses arising from the write-down of deferred tax assets or the reversal of previously recorded write-downs, and deferred tax expense has decreased by 2,369 million yen.

(4) Reconciliation of the statutory effective tax rate and the average effective tax rate

The reconciliation of the statutory effective tax rate and the average effective tax rate is as follows.

(%)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Statutory effective tax rate (Note)	31.5	31.5
Changes in unrecognized deferred tax assets	(11.5)	1.3
Permanent differences	(2.0)	(0.6)
Foreign tax rate differences	(1.3)	(0.5)
Tax credits	(3.9)	(3.7)
Tax on undistributed earnings	1.8	0.2
Other	1.7	1.0
Average effective tax rate	16.1	29.1

(Note) The applicable statutory effective tax rate is the sum of 24.4% for national taxes and 7.1% for local taxes. Major taxes imposed on the Company and its subsidiaries in Japan are income tax, residential tax and business tax. The applicable statutory effective tax rate in Japan is 31.5% in the previous fiscal year and current fiscal year. Income taxes for overseas subsidiaries are calculated based on local tax rates applicable in their jurisdictions.

18. Trade and Other Payables

The components of trade and other payables are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Trade payables	104,775	105,362
Other payables	59,262	41,206
Electronically recorded obligations	14,808	13,940
Refund liabilities	40,585	65,815
Total	219,430	226,323
Current liabilities	204,330	222,941
Non-current liabilities	15,100	3,382

(Note) Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Bonds and Borrowings

(1) The components of bonds are as follows.

(In millions of yen)

	Issuance date	Maturity date	Interest rate	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
USD-denominated Senior Notes due 2024 (Green Bonds) (Note 3)	November 26, 2021	November 26, 2024	1.543%	57,510	66,350
USD-denominated Senior Notes due 2026 (Note3)	November 26, 2021	November 25, 2026	2.170%	97,767	112,795
Others (Note4)				13	—
Total				155,290	179,145
Reclassification to bond issuance costs				(739)	(556)
Current liabilities				13	—
Non-current liabilities				154,538	178,589

(Note) 1. Bonds are classified as financial liabilities measured at amortized cost.
2. For the balance of bonds by maturity, see "Note 33. Financial Instruments."
3. On November 19, 2021, the Company has decided to issue senior notes denominated in USD in multiple tranches (One of the tranches of the notes will be green bonds, proceeds from which will be used solely for projects that are expected to contribute to the global environment).The Company issued USD-denominated Senior Notes due 2024 (Green Bonds, Principal amount: USD 500million, Interest rate: 1.543%, Maturity Date: November 26, 2024) and USD-denominated Senior Notes due 2026 (Principal amount: USD 850million, Interest rate: 2.170%, Maturity Date: November 25, 2026) on November 26, 2021, raising a total of USD 1,350 million.
4. These are convertible bonds issued by the former IDT in 2015, most of which were purchased and retired in 2019, and the redemption was completed in the current fiscal year.

(2) The components of borrowings are as follows.

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)	Average interest rate (Note 4)	Maturity
Short-term borrowings (Note 5, 6)	1,047	—	—	—
Current portion of long-term borrowings	120,045	120,005	0.632%	—
Long-term borrowings (Excluding current portion)	541,045	458,865	0.700%	From Mar.2024 to Jun.2027
Total	662,137	578,870	—	—
Less: Arrangement fee	(2,600)	(1,716)		
Current liabilities	121,092	120,005		
Non-current liabilities	538,445	457,149		

The components of borrowings are as follows.

(In millions of yen)

	Term of borrowing	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Syndicated loan A (Note 7)	From Mar.2019 to Mar.2024	44,632	24,796
Syndicated loan B (Note 7)	From Mar.2019 to Mar.2024	232,150	196,434
Syndicated loan C (Note 7)	From Jun.2019 to Jun.2024	144,260	135,545
Loan contract on December 23, 2021 (Note 8)	From Dec.2021 to Dec.2026	96,000	70,220

JBIC loan contract on December 23, 2021 (Note 8)	From Dec.2021 to Dec.2026	144,000	105,331
Loan contract on June 28, 2022 (Note 9)	From Jun.2022 to Jun.2027	—	26,540
Loan contract on June 30, 2022 (Note 9)	From Jun.2022 to Jun.2027	—	20,000
Others (Note 5)	—	1,095	4
Total		662,137	578,870

(Note) 1. Borrowings are classified as financial liabilities measured at amortized cost.
2. For the balance of borrowings by maturity, see "Note 33. Financial Instruments."
3. The Company's borrowings have financial covenants that require us to maintain a certain level of net assets, operating profit / loss, and profit / loss, and the ratio of interest-bearing debt to EBITDA should not exceed a certain level. The Company complies with the financial covenants.
4. The average interest rate represents the weighted-average interest rate calculated based on the balance of borrowings as of the end of the current fiscal year.
5. Others mainly include short-term borrowings of overseas subsidiaries.
6. In April 2022, the Company borrowed 50,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited. under a commitment line agreement dated January 15, 2019. In July 2022, the Company has fully repaid this borrowing.
7. In order to refinance the existing borrowings to finance partial funds necessary for the acquisition of former IDT and working capital as the medium-and-long term funds, the Company has entered into a syndicated loan agreement with the total amount of 897,000 million yen on January 15, 2019. On March 28, 2019, 698,000 million yen of term loan with availability period (Syndicated loan A and B, Repayment date: March 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited and other 5 financial institutions) has been executed. In addition, on June 28, 2019, borrowings of 149,000 million yen of term loan (Syndicated loan C, Repayment date: June 28, 2024, participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited) have been executed to refinance the existing term loan. On November 10, 2021, the Company made the following changes on this loan agreement. (1) Setting the installment repayment date of Syndicated Loan B, (2) Early payment of Syndicated Loan A upon the issuance of US Dollar-Denominated Senior Notes, and (3) Cancellation of guaranteed contract and stock collateral for Syndicated Loans A and B.
8. Based on the loan agreement entered into to finance the acquisition of Dialog, on August 31, 2021, the Company had borrowed 270,000 million yen from MUFG Bank, Ltd. and Mizuho Bank, Ltd. with the last repayment date of February 7, 2022.
With the purpose of refinancing 240,000 million yen of the above loans (after the repayment of 30,000 million yen) to mid- to long-term funds, on December 23, 2021, the Company has entered into the syndicate loan agreement (Loan amount: 96,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: MUFG Bank, Ltd., Mizuho Bank, Ltd., Sumitomo Mitsui Trust Bank, Limited., Resona Bank, Limited., Aozora Bank, Ltd., Shinkin Central Bank, The Norinchukin Bank, Bank of America NA Tokyo Branch) and a JBIC loan agreement (Loan amount: 144,000 million yen, Execution date of agreement: December 23, 2021, Borrowing date: December 30, 2021, Repayment date: End of December, 2026, Participating financial institutions: Japan Bank of International Cooperation). On December 30, 2021, the Company borrowed a total of 240,000 million yen under these agreements and fully repaid the remaining amount of the loans dated August 31, 2021.
9. In June 2022, the Company entered into a term loan agreement dated June 28, 2022 (Loan amount: USD 200 million, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: Bank of America NA Tokyo Branch) and a term loan agreement dated June 30, 2022 (Loan amount: 20,000 million yen, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: MUFG Bank, Ltd.). The Company has borrowed a total of 47,096 million yen under these agreements dated June 30, 2022.

(3) Assets pledged as collateral and corresponding liabilities as of each fiscal year end are as follows.
A. Assets pledged as collateral

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Buildings and structures	31,190	30,844
Machinery, equipment and vehicles	36,691	38,912
Land	16,628	16,264
Total	84,509	86,020

(Note) Other than the above, stock of subsidiary (638,826 million yen for previous fiscal year and 638,841 million yen for current fiscal) which are eliminated on the Consolidated Statement of Financial Position, are collateralized.

B. Liabilities corresponding to assets pledged as collateral

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Current portion of long-term borrowings	120,014	120,001
Long-term borrowings (Excluding current portion)	538,441	457,149
Total	658,455	577,150

20. Other Financial Liabilities

The components of other financial liabilities are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Derivative liabilities (Note 1)	1,550	8,342
Lease liabilities	17,232	14,269
Contingent consideration (Note 1, 2)	4,681	2,528
Total	23,463	25,139
Current liabilities	11,595	13,838
Non-current liabilities	11,868	11,301

(Note) 1. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss. For details, please refer to “Note 33. Financial Instruments.”

2. For details, please refer to “Note 7. Business Combinations.”

21. Provisions

The components of provisions and their changes are as follows.

(In millions of yen)

	Asset retirement obligations	Provision for business restructuring	Provision for loss on litigation	Other provisions	Total
Balances as of December 31, 2021	3,252	3,429	6,956	1,343	14,980
Current liabilities	95	3,297	6,956	837	11,185
Non-current liabilities	3,157	132	—	506	3,795
Increase during the period	199	3,186	1,332	452	5,169
Decrease during the period (payment)	(145)	(4,372)	(2,568)	(970)	(8,055)
Decrease during the period (reversal)	(84)	(1,079)	(598)	(10)	(1,771)
Period interest expense in discount calculation	21	—	—	—	21
Other	(1)	242	619	184	1,044
Balances as of December 31, 2022	3,242	1,406	5,741	999	11,388
Current liabilities	96	1,263	5,741	999	8,099
Non-current liabilities	3,146	143	—	—	3,289

A. Asset retirement obligations

The expected amount related to performing obligations necessary to restore assets to their original state under the real estate lease agreements of offices and plants used by the Group and legal obligations to remove hazardous substances related to non-current assets is recorded as a provision. The amount of asset retirement obligations was computed using an estimated useful life of 3 to 47 years as well as a discount rate of 0.1% to 10.5%, although the timing of payments will be affected by future business plans, and other factors.

B. Provision for business restructuring

Provision for business restructuring is recorded for expected future losses in connection with business structure reform and consolidation. The timing of payments will be affected by future business plans, and other factors.

C. Provision for loss on litigation

The Group records the estimated amount of reasonably calculated losses, considering individual risks, for losses on litigation which could be incurred in the future from lawsuits and disputed cases. For details, please refer to "Note 36. Commitments and Contingent Liabilities, (4) Others."

D. Other provisions

Other provisions include a provision for product warranties and a provision for an onerous contract.

22. Employee Benefits

The Group adopts post-employment benefit plans such as a defined benefit plan and a defined contribution plan, except for some overseas consolidated subsidiaries.

(1) Defined benefit plans

A. Characteristics of defined benefit plans and related risks

The characteristics of defined benefit plans and related risks are as follows.

(a) Characteristics of defined benefit plans

The defined benefit plans of the Company and its subsidiaries in the Group include (i) a severance indemnity plan and (ii) a defined benefit corporate pension plan. The Group may also provide extra retirement payments upon the retirement of employees.

(i) The severance indemnity plan is an unfunded plan to make a lump-sum payment only with an internal reserve without making an external reserve for the obligations of the retirement benefit plans. As the lump-sum payment is paid in an amount based on salaries and number of service years in accordance with the retirement allowance regulations including the rules of employment of each company.

(ii) The defined benefit corporate pension plan is a defined benefit pension and a funded plan established under the Defined Benefit Corporate Pension Act (enforced in April 2002). It is a fund-type corporate pension, and a lump-sum payment or an annuity is paid from the fund based on salaries and number of service years. In the defined benefit corporate pension plan, administrators of the corporate pension, such as the executive directors of the employer and the fund, abide by laws, regulations and asset management and investment contracts, etc., and their standards of practice such as the prohibition of acts involving conflicts of interest against the participants in the plan have been clearly defined.

In the defined benefit corporate pension plan, the amount of benefits is calculated based on the cumulative number of points granted to employees according to their job classification. The Company and its subsidiaries in Japan adopt a cash balance pension plan for the defined benefit corporate pension plan. Some of the Company's overseas subsidiaries adopt externally funded pension plans such as trust funds for the defined benefit corporate pension plan. Under those pension plans, each participant has an account in which a certain amount calculated by the revaluation rate that is determined based on the current base salary, the job classification and the market interest rate is accumulated.

(b) Risks to which an entity is exposed by the plan.

The Group is exposed to actuarial risks such as price fluctuation risk by plan assets and interest rate risk by present value of obligations of the defined benefit plans.

B. Amounts recognized in the consolidated statement of financial position

The amounts recognized in the consolidated statement of financial position are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Present value of obligations of the funded defined benefit plans (with plan assets)	120,091	102,909
Fair value of plan assets	(152,382)	(134,727)
Funded status	(32,291)	(31,818)
Impact of asset ceiling	32,929	32,378
Present value of obligations of the unfunded defined benefit plans (without plan assets)	27,288	23,542
Net amount of liabilities (assets) pertaining to defined benefits recognized in the consolidated statement of financial position	27,926	24,102
Retirement benefit liability	27,926	24,102
Retirement benefit asset	—	—

As of the end of the previous fiscal year, the present value of obligations of the funded defined benefit plans (with and without plan assets) was 116,990 million yen for domestic plans and 30,389 million yen for overseas plans. The fair value of plan assets was (129,925) million yen for domestic plans and (22,457) million yen for overseas plans.

As of the end of the current fiscal year, the present value of obligations of the funded defined benefit plans (with and without plan assets) was 105,643 million yen for domestic plans and 20,808 million yen for overseas plans. The fair value of plan assets was (120,553) million yen for domestic plans and (14,174) million yen for overseas plans.

C. Changes in the present value of defined benefit obligation

The changes in the present value of defined benefit obligation are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Present value of defined benefit obligation (beginning)	153,107	147,379
Service cost	2,360	2,370
Interest expenses	1,000	1,082
Benefits paid	(10,088)	(8,689)
Remeasurements of defined benefit plans		
(i) Actuarial differences arising from changes in demographic assumptions	(670)	(691)
(ii) Actuarial differences arising from changes in financial assumptions	(535)	(16,806)
(iii) Revisions to other results	(908)	286
Effects of business combination and disposal	525	5
Exchange differences	2,411	1,435
Other	177	80
Present value of defined benefit obligation (ending)	147,379	126,451

The weighted average duration of the defined benefit obligation in each fiscal year is as follows.

	Previous fiscal year (from January 1, 2021 to December 31, 2021	Current fiscal year (from January 1, 2022 to December 31, 2022)
Weighted average duration	12.0 years	10.7 years

D. Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Fair value of plan assets (beginning)	145,862	152,382
Interest income	1,016	1,061
Remeasurement – Return on plan assets	8,453	(15,199)
Contributions by employer (Note 1)	2,323	2,234
Benefits paid	(7,805)	(6,515)
Effects of business combination and disposal	434	—
Exchange differences	2,194	723
Other	(95)	41
Fair value of plan assets (ending)	152,382	134,727

(Note) 1. Contributions to the defined benefit plans in the Group are made in consideration of factors such as the financial position of the Group, the funding situation of plan assets and actuarial factors based on laws and regulations. In the fiscal year ending December 31, 2023, 1,958 million yen is planned to be contributed to the defined benefit pension plans.

2. The purpose of the investment of plan assets of the Group is to secure necessary revenue in the long term within the acceptable range of risks in order to provide benefits to beneficiaries reliably in the future.
The target rate of return aims to exceed the assumed interest rate required for the financial position of the pension scheme on a stable basis for the long term.
The Group has set a “policy asset mix” to achieve the investment target and attempts to make an investment to maintain the asset mix based on the policy asset mix. The asset mix is reviewed as necessary and tailored to changes in the situation of the Group and the institution and the environment surrounding the Group.

3. Some consolidated subsidiaries participate in a multi-employer defined benefit pension plan.

E. Changes in the impact of the asset ceiling

The changes in the impact of the asset ceiling are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Impact of asset ceiling (beginning)	22,767	32,929
Interest income	131	196
Remeasurement – Changes in the impact of the asset ceiling	10,042	(814)
Exchange differences	161	57
Other	(172)	10
Impact of the asset ceiling (ending)	32,929	32,378

(Note) The Group sets the asset ceiling and calculates liabilities in some of its pension plans because economic benefits could not be enjoyed as a result of contributions that will not be reduced or returned in the future.

F. Components of fair value of plan assets by type

The components of the fair value of plan assets by type are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Equity instruments		
Domestic equity securities	11,750	10,201
Foreign equity securities	25,787	22,048
Debt instruments		
Domestic bonds	12,743	9,312
Foreign bonds	28,368	23,998
General accounts of life insurance company	35,714	31,287
Cash and cash equivalents	5,650	6,258
Other	32,370	31,623
Total	152,382	134,727

(Note) Most of plan assets are operated through commingled funds and classified as those with no public market price in active markets. These commingled funds are appropriately diversified into stocks and debts that generally listed in active market based on corporate pension fund code. “General accounts of life insurance company” are the accounts that the life insurance company jointly manages the funds with several contracts and includes a guaranteed interest rate and return of capital. The major components of "Other" represent alternative instruments that are invested using long/short positions and securitized products.

G. Major actuarial assumptions

Major actuarial assumptions (weighted average) are as follows.

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Discount rate	0.7%	1.7%

H. Sensitivity analysis

In the calculation of the defined benefit obligation in the sensitivity analysis, the same method as the calculation method for the defined benefit obligation recognized in the consolidated statement of financial position is used.

The sensitivity analysis is made based on changes in assumptions that can be reasonably presumed at the end of the reporting period. In addition, although the sensitivity analysis assumes that all actuarial assumptions other than those that are subject to the sensitivity analysis remain constant, changes in those other actuarial assumptions could have an impact in reality.

The impact of a 0.5% change in actuarial assumptions on the defined benefit obligation is as follows.

(In millions of yen)

		Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Discount rate	0.5% increase	(7,323)	(6,235)
	0.5% decrease	7,955	6,559

(2) Defined contribution plans

The Group has adopted defined contribution pension plans. The amount recognized as an expense in relation to the defined contribution plans, including employee pension premiums paid by the employer under the Employees' Pension Insurance Act, is as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Contributions	8,795	8,542

(Note) This amount is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statement of profit or loss.

(3) Employee benefit expenses

The components of the employee benefit expenses are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Personnel expenses	185,953	225,952
Retirement benefit expenses	11,270	11,129
Extra retirement payments etc.	1,262	1,189
Other	2,409	2,649
Total	200,894	240,919

(Note) This amount is included in "Cost of sales", "Selling, general and administrative expenses" and "Other expenses" in the consolidated statement of profit or loss.

23. Equity and Other Equity Items

(1) Share capital and treasury shares

Ordinary shares

	Total number of authorized shares (shares)	Total number of issued shares (shares)	Treasury shares (shares)
Previous fiscal year (as of December 31, 2021)	3,400,000,000	1,943,805,775	2,581
Changes (Note 2, 3)	—	14,648,248	161,485,586
Current fiscal year (as of December 31, 2022)	3,400,000,000	1,958,454,023	161,488,167

(Note) 1. All the shares issued by the Company are non-par value ordinary shares with no restrictions on rights.

2. Based on the resolution at the Board of Directors' meeting held on April 27, 2022, the Company conducted a tender offer to acquire its own shares and purchased 168,067,250 shares from April 28, 2022 to May 31, 2022. As a result, treasury shares increased by 200,000 million yen. In addition, the number of treasury shares decreased by 6,581,664 shares, due to disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) for the current fiscal year. As a result, treasury shares decreased by 7,840 million yen. The amount of treasury shares held was 192,171 million yen as of the end of the current fiscal year.

3. Changes except the issuance of new shares are due to the exercise of stock options and the vesting of Restricted Stock Unit (RSU). For details on stock options and RSU, see "Note 32. Share-based Payments."

4. Total number of issued shares has been already paid-up.

(2) Surplus

A. Capital surplus

The Companies Act of Japan stipulates that one half or more of the paid-in amount from the issue of shares shall be accounted for as share capital, and the remainder shall be accounted for as capital reserve included in capital surplus. Under the Companies Act, the amount of such capital reserve may be transferred to shared capital by the resolution of a shareholders meeting.

B. Retained earnings

The Companies Act of Japan stipulates that one tenth of the amount of the distributions of surplus shall be accumulated as capital reserve or legal reserve until the sum of the capital reserve and legal reserve reaches one fourth of the share capital. The accumulated retained earnings reserve may be appropriated to cover a loss. The Companies Act also states that the retained earnings reserve may be used by the resolution of a shareholders meeting.

24. Revenue

(1) Disaggregation of revenue

Disaggregation of revenue recognized from contracts with customers are stated in "Note 6. Business Segments, (2) Information on reportable segments and (4) Information on regions and countries." Also, all of the revenue arises from contracts with customers.

The Group engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors, and the revenue is mainly due to sales of semiconductor products.

Regarding the sales of these products, the Group recognizes revenue when the customer obtains control over the product which is at the time of delivery of a product because legal title of the product, physical possession of the asset, the significant risks and rewards of ownership are transferred to the customer, and the customer has an obligation to pay for the products at the time of delivery of the product.

Revenue is measured at the amount of promised consideration in contracts with customers.

With regard to sales contract including variable consideration such as rebate and discounts, the transaction price is estimated and determined using the most-likely-amount method based largely on historical data, considering variable prices within a range that will not result in significant deviation between estimate and historical data.

Consideration under sales contracts is recovered mainly within one year from satisfaction of a performance obligation and includes no significant financing components.

(2) Accounts arising from contracts

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Contract assets	695	375
Contract liabilities	351	460

(Note) 1. Contract assets are company's rights to the consideration received in exchange for goods or services transferred to the customer by the company, on condition of something other than the passage of time (for example, future performance of the company). Contract assets are transferred to receivables when the right to consideration becomes unconditional. Contract assets are included in trade and other receivables in the consolidated statement of financial position.

2. Contract liabilities relate to the payment received in advance of performance under the contract. The contract liabilities are reclassified to revenue when the Group satisfies a performance obligation based on the contract. Contract liabilities are included in other current liabilities in the consolidated statement of financial position.

3. The amounts of revenues recognized during the previous fiscal year and the current fiscal year from the performance obligations satisfied in the past periods were immaterial.

4. Of the revenues recognized in the previous fiscal year, 168 million yen was included in the balance of contract liabilities as of the beginning of the previous fiscal year. Of the revenues recognized in the current fiscal year, 299 million yen was included in the balance of contract liabilities as of the beginning of the current fiscal year.

(3) Transaction price allocated to the remaining performance obligation

The Group uses the practical expedient of omitting the disclosure of information on the remaining performance obligations because it has no significant transactions with individual expected contractual terms exceeding one year. In addition, there are no significant amounts in consideration from contracts with customers that are not included in transaction prices.

(4) Assets recognized from the cost to obtain or fulfill contracts with customers

There are no assets recognized from the cost to obtain or fulfill contracts with customers.

25. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Research and development expenses	154,330	205,963
Depreciation and amortization	73,856	111,930
Personnel expenses	53,118	67,569
Retirement benefit expenses	2,780	2,723
Other	33,115	38,676
Total	317,199	426,861

(Note) Research and development expenses are included in selling, general and administrative expenses. Related expenses such as outsourcing costs, personnel expenses, depreciation costs and material costs are mainly included in research and development expenses.

26. Other Income

The components of other income are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2021 to December 31, 2022)
Gain on sales of property, plant and equipment (Note 1)	5,618	9,749
Fair value remeasurements on contingent considerations (Note 2)	—	2,464
Insurance claim income	460	1,467
Reversal of provision for business restructuring	684	1,068
Other	1,269	2,929
Total	8,031	17,677

(Note) 1. Gain on sales of property, plant and equipment for the current fiscal year is mainly due to the sale of Yamaguchi Factory (Ube, Yamaguchi Prefecture) of Renesas Semiconductor Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, which completed consolidation on June 30, 2022.

2. For details, please refer to “7. Business Combinations.”

27. Other Expenses

The components of other expenses are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Impairment losses (Note 1)	135	7,719
Settlement packages (Note 2)	327	5,488
Business restructuring expenses (Note 3)	3,934	3,928
Provision for loss on litigation (Note 4)	4,737	14
Other	4,000	3,486
Total	13,133	20,635

(Note) 1. For details of Impairment losses, please refer to “15. Impairment of Non-financial Assets.”
2. Settlements packages are mainly related to past license agreements for the current fiscal year.
3. The Group has reformed its business and structures of production to strengthen its financial basis, and the related expenses are shown as business restructuring expenses. The main items of business restructuring expenses were personnel expenses such as additional retirement benefits and expenses related to disposition of property, plant and equipment associated with consolidating the operating bases.
4. Provision for loss on litigation is recorded for the payment of lawsuits and compensation.

28. Finance Income and Finance Costs

The components of finance income and finance costs are as follows.

(1) Finance income

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Valuation gain of investment securities		
Financial assets measured at fair value through profit or loss	3,529	—
Interest income		
Financial assets measured at amortized cost	243	1,084
Other	368	325
Total	4,140	1,409

(2) Finance costs

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Interest expenses		
Financial liabilities measured at amortized cost	9,946	6,867
Foreign exchange loss (Note)	24,167	51,912
Other	1,136	4,501
Total	35,249	63,280

(Note) Foreign exchange loss includes losses on valuation of currency derivatives.

29. Other Comprehensive Income

Reclassification adjustments and tax effects of other comprehensive income by component are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans		
Amount incurred during the period	450	2,742
Tax effect	452	(829)
After tax effect	902	1,913
Equity financial assets measured at fair value through other comprehensive income		
Amount incurred during the period	(382)	(35)
Tax effect	71	(95)
After tax effect	(311)	(130)
Total of items that will not be reclassified to profit or loss	591	1,783
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
Amount incurred during the period	168,975	312,707
Reclassification	—	—
Before tax effect	168,975	312,707
Tax effect	—	—
After tax effect	168,975	312,707
Cash flow hedges		
Amount incurred during the period	(3,348)	13,716
Reclassification	(818)	(31,202)
Before tax effect	(4,166)	(17,486)
Tax effect	144	5,540
After tax effect	(4,022)	(11,946)
Cost of hedges		
Amount incurred during the period	(226)	9,618
Reclassification	3	24
Before tax effect	(223)	9,642
Tax effect	70	(2,989)
After tax effect	(153)	6,653
Total of items that may be reclassified subsequently to profit or loss	164,800	307,414
Total other comprehensive income	165,391	309,197

30. Earnings Per Share

Basic earnings per share attributable to owners of parent and diluted earnings per share are as follows.

(1) Basic earnings per share

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	119,536	256,632
Weighted average number of ordinary shares during the year (thousands of shares)	1,845,524	1,864,152
Basic earnings per share (yen)	64.77	137.67

(2) Diluted earnings (loss) per share

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current Fiscal Year (from January 1, 2022 to December 31, 2022)
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	119,536	256,632
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	119,536	256,632
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,845,524	1,864,152
Increase in common stock		
Share acquisition rights (thousands of shares)	35,233	20,907
Restricted Stock Unit (thousands of shares)	6,239	18,101
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,886,996	1,903,161
Diluted earnings per share (yen)	63.35	134.85

31. Consolidated Statement of Cash Flows

(1) Changes in liabilities in financing activities

The components of liabilities in financing activities and their changes during the fiscal year are as follows.

(Previous fiscal year)

	As of December 31, 2020	Cash flows	Non-cash transactions			As of December 31, 2021
			Acquisitions	Increase due to business combination	Other (Note 2)	
Long-term borrowings (Note 1)	679,733	(22,777)	—	71	1,463	658,490
Short-term borrowings	—	—	—	2,185	(1,138)	1,047
Bonds	11	154,359	—	—	181	154,551
Lease liabilities	13,977	(4,571)	2,781	4,663	382	17,232
Total	693,721	127,011	2,781	6,919	888	831,320

(Current fiscal year)

	As of December 31, 2021	Cash flows	Non-cash transactions			As of December 31, 2022
			Acquisitions	Increase due to business combination	Other (Note 2)	
Long-term borrowings (Note 1)	658,490	(81,671)	—	—	335	577,154
Short-term borrowings	1,047	(1,180)	—	—	133	—
Bonds	154,551	—	—	—	24,038	178,589
Lease liabilities	17,232	(5,901)	3,097	—	(159)	14,269
Total	831,320	(88,752)	3,097	—	24,347	770,012

(Note) 1. Current portion of long-term borrowings are included in long-term borrowings.
2. Non-cash transactions for long-term borrowings includes the arrangement fees.
3. To reduce the risk of foreign exchanges in the USD-denominated Senior Notes, the Group uses currency swaps. The currency swap is designated as a hedge. For details on hedge accounting, see “Note 33. Financial Instruments.”

(2) Non-cash transactions

Significant non-cash transactions are as follows.

(In millions of yen)

Type	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Purchase of intangible assets through installment purchase contracts	435	309

(3) Principal assets and liabilities of a company that became a consolidated subsidiary due to acquisition of stock

(Previous fiscal year)

For details of assets and liabilities for Dialog, Celeno and these subsidiaries at time of its consolidation resulting from the acquisition of stock as well as the relationship between the acquisition price of stock and expenditures (net) for its acquisition, see “Note 7. Business Combinations.”

(Current fiscal year)

For details of assets and liabilities for Steradian at time of its consolidation resulting from the acquisition of stock as well as the relationship between the acquisition price of stock and expenditures (net) for its acquisition, see “Note 7. Business Combinations.”

32. Share-based Payments

The Group has adopted share-based payment plans as an incentive plan for directors, senior vice presidents and employees.

Share-based payment expenses included in the consolidated statement of profit or loss totaled 1,392 million yen in “Cost of sales” and 13,511 million yen in “Selling, general and administrative expenses” in the previous fiscal year, and 1,548 million yen in “Cost of sales” and 16,596 million yen in “Selling, general and administrative expenses” in the current fiscal year.

(1) Restricted Stock Unit (RSU) and Performance Share Unit (PSU)

A. Overview of RSU and PSU

(a) RSU

RSU is a share-based payment plan in which the Company provides recipients with the number of units that corresponds to the number of years determined by the Board of Directors (basically three years, except one year for the Outside Directors) and annually delivers to the recipients common stock for the number of units that vested (the units vest by one third of total units provided every year after the grant date, except that the units vest after one year for the outside directors), subject to continued employment with the Group.

(b) PSU

PSU is a share-based payment plan in which the Company provides the recipients (excluding outside directors) with the number of units determined by the Board of Directors and delivers to the recipients common stock for the number of the units that vested in response to the extent of the growth rate of total shareholder return over the three-year performance period from April 1 of the year when the PSUs are granted.

B. Details for RSU and PSU

The details of RSU and PSU granted for the previous fiscal year and the current fiscal year are as follows.

Date of grant	Category and number of grantees	Number of units		Fair value (Yen)	
		RSU	PSU	RSU	PSU
April 9, 2021	Outside directors 2 Director and executive officer 1 Executive officers 10 Employees of the Company and subsidiaries 2,862	7,458,400	1,195,800	1,258.0	1,605.2
July 16, 2021	Employees of the Company and subsidiaries 241	487,200	—	1,233.0	—
August 31, 2021 (Note 4, 5)	Executive officer 1 Employees of subsidiaries 2,192	13,468,700	—	1,189.0	—
October 15, 2021	Employees of subsidiaries 209	630,800	—	1,337.0	—
November 12, 2021	Employees of subsidiaries 1,973	2,491,100	—	1,486.0	—
January 14, 2022	Employees of the Company and subsidiaries 276	624,700	—	1,434.0	—
February 9, 2022	Employees of subsidiaries 6	399,300	—	1,332.0	—
April 14, 2022	Outside directors 2 Director and executive officer 1 Executive officers 10 Employees of the Company and subsidiaries 3,571	9,781,100	1,376,600	1,371.0	2,004.6
July 15, 2022	Employees of the Company and subsidiaries 225	1,048,400	—	1,215.0	—
October 14, 2022	Executive officer 1 Employees of the Company and subsidiaries 344	2,026,600	—	1,230.0	—
October 26, 2022	Employees of subsidiaries 6	10,200	—	1,235.0	—
December 16, 2022	Employees of the Company and subsidiaries 47	24,100	—	1,265.5	—

(Note) 1. The fair value of RSU is calculated based on the Company’s stock price on the date of grant.

2. The fair value of PSU is calculated based on the results of comparing the fluctuation rate of the Company’s stock with that of stock indexes over a certain period.

3. Our common stock (1 unit = 1 share) is delivered based on the number of units at the time of vesting. There is no payment from Directors, Executive Officers and employees at the time of delivering the stock.

4. Based on the agreements regarding the acquisition of Dialog, the unvested portion of Dialog’s Employee Share Plan Award was replaced by Renesas share plans (RSU) as of the acquisition date.

5. The rights are based on the vesting conditions originally provided by Dialog except for certain awards that will be vested earlier than scheduled.

C. Changes of the number of RSU and PSU

Changes of the number of RSU and PSU in the previous fiscal year and the current fiscal year are as follows (1 right = 1 share).

Grant date	Previous fiscal year (As of December 31, 2021)		Current fiscal year (As of December 31, 2022)	
	RSU	PSU	RSU	PSU
Beginning balance	—	—	21,888,800	1,133,200
Granted	24,536,200	1,195,800	13,914,400	1,376,600
Forfeited	(808,615)	(62,600)	(3,738,644)	(197,600)
Vested	(1,838,785)	—	(8,766,712)	(28,900)
Ending balance	21,888,800	1,133,200	23,297,844	2,283,300

(2) Stock option

A. Overview of the stock option plan

Under the stock option plan, warrants have been granted to eligible persons in accordance with the resolution of the Board of Directors of the Company based on the arrangement approved at the shareholders meeting of the Company. The exercise period of the stock options is set by an allotment contract, and if they are not exercised during the exercise period, the stock options will lapse. In addition, if an eligible person has left the Company before the vesting date, the options will also lapse. However, this does not apply to certain cases addressed in the warrants allotment contract, such as resignation due to the expiration of the term of office.

The stock option plan of the Company is accounted for as equity-settled share-based payments.

B. Details for the stock option plan

The stock option plan in effect during the current fiscal year is as follows.

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
Fiscal year 2017 Stock options No.1 – 1 No.2 – 1	Directors of the Company 2 Executive officers of the Company 11 Employees of the Company 342 Directors of subsidiaries 20 Employees of subsidiaries 890	Common stock 3,549,500 shares	April 3, 2017	The rights vest in stages as follows One third vests on April 4, 2018 One third vests on April 4, 2019 The remaining vests on April 4, 2020	From April 3, 2017 to April 4, 2020	From April 4, 2017 to April 3, 2027
Fiscal year 2017 Stock options No.1 – 2 No.2 – 2	Directors of the Company 2 Executive officers of the Company 11 Employees of the Company 78 Directors of subsidiaries 14 Employees of	Common stock 2,112,000 shares	April 3, 2017	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From April 3, 2017 to April 3, 2020	From April 4, 2017 to April 3, 2027

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
	subsidiaries 59					
Fiscal year 2017 Stock options No.4	Employees of subsidiaries 13	Common stock 52,200 shares	July 12, 2017	The rights vest in stages as follows One third vests on April 4, 2018 One third vests on April 4, 2019 The remaining vests on April 4, 2020	From July 12, 2017 to April 4, 2020	From July 13, 2017 to July 12, 2027
Fiscal year 2018 Stock options No.1 – 1 No.2 – 1	Directors of the Company 3 Executive officers of the Company 10 Employees of the Company 472 Directors of subsidiaries 18 Employees of subsidiaries 743	Common stock 3,607,200 shares	April 2, 2018	The rights vest in stages as follows One third vests on April 3, 2019 One third vests on April 3, 2020 The remaining vests on April 3, 2021	From April 2, 2018 to April 3, 2021	From April 3, 2018 to April 2, 2028
Fiscal year 2018 Stock options No.1 – 2 No.2 – 2	Directors of the Company 3 Executive officers of the Company 10 Employees of the Company 95 Directors of subsidiaries 13 Employees of subsidiaries 47	Common stock 2,047,200 shares	April 2, 2018	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From April 2, 2018 to April 2, 2021	From April 3, 2018 to April 2, 2028
Fiscal year 2018 Stock options No.3 No.4	Employees of the Company 257 Directors of subsidiaries 1 Employees of subsidiaries 181	Common stock 534,600 shares	July 31, 2018	The rights vest in stages as follows One third vests on April 3, 2019 One third vests on April 3, 2020 The remaining vests on April 3, 2021	From July 31, 2018 to April 3, 2021	From August 1, 2018 to July 31, 2028
Fiscal year 2018 Stock options No.5	Employees of subsidiaries 22	Common stock 182,700 shares	October 31, 2018	The rights vest in stages as follows Certain amount vests on April 3, 2019 Certain amount vests on April 3, 2020 Certain amount vests on	From October 31, 2018 to April 3, 2022	From November 1, 2018 to October 31, 2028

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
				April 3, 2021 The remaining vests on April 3, 2022		
Fiscal year 2019 Stock options No.1 No.2 No.3	Executive officers of the Company 1 Directors of subsidiaries 1 Executive officers of subsidiaries 3 Employees of subsidiaries 1,337	Common stock 57,043,500 shares	April 9, 2019	According to completion of the acquisitions with IDT, the existing stock options for IDT allocated to directors of IDT and its subsidiaries, corporate officers and executive officers of subsidiaries, and employees of subsidiaries are converted into the stock options for the Company and issued. The rights are based on the vesting periods for the stock option originally scheduled in IDT.	From April 9, 2019 to March 15, 2023	From April 9, 2019 to April 8, 2029
Fiscal year 2019 Stock options No.4 – 1 No.5 – 1	Executive officers of the Company 1 Employees of the Company 1 Employees of subsidiaries 32	Common stock 659,800 shares	May 31, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From May 31, 2019 to April 1, 2022	From June 1, 2019 to May 31, 2029
Fiscal year 2019 Stock options No.4 – 2 No.5 – 2	Executive officers of the Company 1 Employees of the Company 1	Common stock 364,300 shares	May 31, 2019	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From May 31, 2019 to April 2, 2022	From June 1, 2019 to May 31, 2029
Fiscal year 2019 Stock options No.6 – 1 No.7 – 1	Employees of the Company 486 Directors of subsidiaries 15 Employees of subsidiaries 1,875	Common stock 16,222,700 shares	July 25, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From July 25, 2019 to April 1, 2022	From July 26, 2019 to July 25, 2029
Fiscal year 2019 Stock options No.6 – 2 No.7 – 2	Employees of the Company 90 Directors of subsidiaries	Common stock 3,203,800 shares	July 25, 2019	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights	From July 25, 2019 to April 2, 2022	From July 26, 2019 to July 25, 2029

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
	10 Employees of subsidiaries 46			with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.		
Fiscal year 2019 Stock options No.8 – 1 No.9 – 1	Directors of the Company 2 Executive officers of the Company 12 Employees of the Company 2	Common stock 985,900 shares	August 23, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From August 23, 2019 to April 1, 2022	From August 24, 2019 to August 23, 2029
Fiscal year 2019 Stock options No.8 – 2 No.9 – 2	Directors of the Company 2 Executive officers of the Company 12	Common stock 1,963,800 shares	August 23, 2019	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From August 23, 2019 to April 2, 2022	From August 24, 2019 to August 23, 2029
Fiscal year 2019 Stock options No.10	Employees of subsidiaries 441	Common stock 351,600 shares	September 20, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From September 20, 2019 to April 1, 2022	From September 21, 2019 to September 20, 2029
Fiscal year 2019 Stock options No.11 – 1 No.12 – 1	Executive officers of the Company 1 Employees of the Company 122 Employees of subsidiaries 123	Common stock 887,700 shares	October 31, 2019	The rights vest in stages as follows Certain amount vests on April 1, 2020 Certain amount vests on April 1, 2021 Certain amount vests on April 1, 2022 The remaining vests on April 1, 2023	From October 31, 2019 to April 1, 2023	From November 1, 2019 to October 31, 2029
Fiscal year 2019 Stock options No.11 – 2 No.12 – 2	Executive officers of the Company 1 Employees of subsidiaries 1	Common stock 73,800 shares	October 31, 2019	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return	From October 31, 2019 to April 2, 2023	From November 1, 2019 to October 31, 2029

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
				fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.		
Fiscal year 2019 Stock options No.13	Employees of subsidiaries 15	Common stock 204,800 Shares	December 25, 2019	The rights vest in stages as follows One third vests on April 1, 2020 One third vests on April 1, 2021 The remaining vests on April 1, 2022	From December 25, 2019 to April 1, 2022	From December 26, 2019 to December 25, 2029
Fiscal year 2019 Stock options No.14	Employees of subsidiaries 23	Common stock 210,000 Shares	January 31, 2020	The rights vest in stages as follows Certain amount vests on April 1, 2020 Certain amount vests on April 1, 2021 Certain amount vests on April 1, 2022 The remaining vests on April 1, 2023	From January 31, 2020 to April 1, 2023	From February 1, 2020 to January 31, 2030
Fiscal year 2020 Stock options No.1 – 1 No.2 – 1	Directors of the Company 4 Executive officers of the Company 10 Employees of the Company 467 Directors of subsidiaries 14 Employees of subsidiaries 1,888	Common stock 17,068,000 Shares	June 30, 2020	The rights vest in stages as follows One third vests on July 1, 2021 One third vests on July 1, 2022 The remaining vests on July 1, 2023	From June 30, 2020 to July 1, 2023	From July 1, 2020 to June 30, 2030
Fiscal year 2020 Stock options No.1 – 2 No.2 – 2	Directors of the Company 1 Executive officers of the Company 10 Employees of the Company 88 Directors of subsidiaries 9 Employees of subsidiaries 41	Common stock 5,211,600 Shares	June 30, 2020	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From June 30, 2020 to June 30, 2023	From July 1, 2020 to June 30, 2030
Fiscal year 2020 Stock options	Directors of the Company 1	Common stock 4,725,300	August 31, 2020	The rights vest in stages as follows One third vests on	From August 31, 2020	From August 31, 2020 to

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
No.3 No.4	Executive officers of the Company 8 Employees of the Company 916 Directors of subsidiaries 6 Employees of subsidiaries 1,614	Shares		August 31, 2020 One third vests on September 1, 2020 The remaining vests on October 1, 2020	to October 31, 2020	August 30, 2030
Fiscal year 2020 Stock options No.5 No.6	Employees of the Company 219 Employees of subsidiaries 161	Common stock 665,800 Shares	August 31, 2020	The rights vest in stages as follows One third vests on September 1, 2021 One third vests on September 1, 2022 The remaining vests on September 1, 2023	From August 31, 2020 to September 1, 2023	From September 1, 2020 to August 31, 2030
Fiscal year 2020 Stock options No.7 – 1 No.8 – 1	Employees of the Company 3 Employees of subsidiaries 94	Common stock 910,100 Shares	November 30, 2020	The rights vest in stages as follows Certain amount vests on July 1, 2021 Certain amount vests on July 1, 2022 Certain amount vests on July 1, 2023 The remaining vests on July 1, 2024	From November 30, 2020 to July 1, 2023	From December 1, 2020 to November 30, 2030
Fiscal year 2020 Stock options No.7 – 2 No.8 – 2	Employees of subsidiaries 10	Common stock 82,000 Shares	November 30, 2020	The rights vest in stages as follows One third vests on September 1, 2021 One third vests on September 1, 2022 The remaining vests on September 1, 2023	From November 30, 2020 to September 1, 2023	From December 1, 2020 to November 30, 2030
Fiscal year 2020 Stock options No.7 – 3	Employees of the Company 1	Common stock 22,600 Shares	November 30, 2020	The Company sets the upper limit number of shares expected to vest by multiplying the number of allocated stock subscription rights with the rate calculated by comparing total shareholder return fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.	From November 30, 2020 to June 30, 2023	From December 1, 2020 to November 30, 2030
Fiscal year 2021 Stock options No.1 No.2	Employees of the Company 6 Employees of subsidiaries 52	Common stock 320,400 Shares	February 26, 2021	The rights vest in stages as follows Certain amount vests on July 1, 2021 Certain amount vests on July 1, 2022 Certain amount vests on July 1, 2023	From February 26, 2021 to July 1, 2024	From February 27, 2021 to February 26, 2031

	Category and number of grantees	Type of stock and number of shares	Grant date	Vesting conditions	Vesting period	Exercise period
				The remaining vests on July 1, 2024		
Fiscal year 2021 Stock options No.3	Employees of subsidiaries 4	Common stock 13,200 Shares	February 26, 2021	The rights vest in stages as follows One third vests on September 1, 2021 One third vests on September 1, 2022 The remaining vests on September 1, 2023	From February 26, 2021 To September 1, 2023	From February 27, 2021 to February 26, 2031

(Note) 1. Vesting conditions include a requirement for award beneficiaries to provide services to the Company until the stock vesting date. However, this does not apply to certain cases such as mandatory retirement, resignation due to the expiration of the term of office or the other justifiable reasons.
2. Grantees cannot exercise options during the time from the day after the grant date until when the stock is vested. Also, the option will be forfeited if the target retires or resigns from the Company or subsidiary by the vesting date. However, if allowed under the Stock Acquisition Rights Allocation Agreement, those options may be exercised. For example, if awards are not forfeited upon retirement or resignation due to the expiration of terms of office under the Stock Acquisition Rights Allocation Agreement, the said person may exercise the said stock options starting on the day following said loss of eligibility until 13 months after.
3. If grantees forfeit their share acquisition rights, they may not exercise their stock options.

C. Number and weighted average exercise price of stock options

Changes of the number and the weighted average exercise price of stock options granted in the previous fiscal year and the current fiscal year are as follows. The number of stock options is stated by converting them to the number of shares.

	Previous fiscal year (from January 1, 2021 to December 31, 2021)		Current fiscal year (from January 1,2022 to December 31, 2022)	
	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)
Beginning balance of unexercised options	49,952,600	1	30,692,900	1
Granted	333,600	1	—	1
Exercised	15,747,600	1	12,423,200	1
Forfeited	3,756,200	1	2,781,900	1
Expired	89,500	1	267,600	1
Ending balance of unexercised options	30,692,900	1	15,220,200	1
Ending balance of exercisable options	6,520,700	1	6,796,000	1

(Note) 1. For the stock options exercised during the period, the weight average share price as of the exercise date was 1,269 yen for the previous fiscal year and 1,336 yen for the current fiscal year.
2. Remaining weighted average contractual life outstanding as of the end of the previous fiscal year and the current fiscal year was 3 years and 2 years, respectively.

D. Fair value of stock options granted and estimation method of fair value

The valuation techniques used for the stock options granted for the previous fiscal year are the Binomial model, and the major basic assumptions and estimation method are as follows. There were no stock options granted during the current year.

Date of grant	Fair value per share at the grant date (yen)	Share price on date of grant (yen)	Exercise price (yen)	Expected volatility (Note 1)	Expected holding period (Note 2)	Expected dividend (Note 3)	Risk-free interest rate (Note 4)
February 2021	1,168	1,169	1	49.744%	5 years	No dividend	(0.048%)

(Note) 1. The expected volatility is calculated using the actual share prices during the expected holding period from the grant date.
2. The expected holding period is based on the number of years from the grant date to the last day of the principle exercise period.
3. The expected dividend is calculated based on the actual annual dividend for the year.
4. The risk-free interest rate is the yield on Japanese government bonds for the period that corresponds to the remaining life of the option.

33. Financial Instruments

(1) Capital management

The Group aims to achieve sustainable growth and maximize its corporate value. Investments of surplus funds are limited to short-term deposits and financial assets with a high level of safety. Regarding financing sources, the Group mainly uses borrowings from banks. The Group mainly uses derivative financial instruments to manage fluctuations in foreign currency exchange rates, and the Group's policies prohibit holding or issuing derivative financial instruments for speculative transactions. Items subject to management are net interest-bearing liabilities obtained by deducting cash and cash equivalents from interest-bearing liabilities and equity. Their balances and the major indicators that the Group uses for its capital management are as follows.

(In millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Interest-bearing liabilities	831,320	770,012
Less: Cash and cash equivalents	(221,924)	(336,068)
Net interest-bearing liabilities	609,396	433,944
Total equity attributable to owners of parent	1,150,081	1,533,750
Total liabilities and equity	2,426,301	2,812,272
Equity ratio attributable to owners of parent (%)	47.4	54.5

Equity ratio attributable to owners of parent: Total equity attributable to owners of parent /Total liabilities and equity.

(2) Basic policies for financial risk management

The Group is exposed to financial risks (credit risk, liquidity risk and market risk) in the process of executing its business activities. Accordingly, the Group regularly monitors the financial risks based on internal management regulations and takes measures to avoid or reduce the risks as required.

The Group does not engage in derivative transactions for speculative purposes.

A. Credit risk

(a) Credit risk management

Notes and trade receivables are exposed to the credit risk of customers. Conforming to the internal rules for the management of receivables, the Group regularly monitors major customers' credit and manages the due dates of collection and the balance for each customer. Other receivables are exposed to the credit risk of customers, but most of them are settled in the short term. Short-term investments are financial assets invested on a short-time basis, and the Group transacts with highly creditworthy financial institutions. Trade receivables are regarded as non-performing if all or part of them cannot be collected or if collection is deemed extremely difficult. The Group does not have any exposure to the significant credit risk of certain customers, and there is no excessive concentration of credit risk that requires special management.

The largest exposure to credit risk at the end of the reporting period is the carrying amount of financial assets after impairment, but there is no historical experience of recognizing a significant credit loss in previous years.

Regarding debt guarantees, the balance of debt guarantees presented in "Note 36. Commitments and Contingent Liabilities" is the largest exposure of the Group to credit risk.

(b) Analysis of changes in loss allowance

The changes in the loss allowance are as follows.

Previous fiscal year (from January 1, 2021 to December 31, 2021)

(In millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		
	Loss allowance for financial instruments other than trade receivables	Loss allowance for trade receivables	Loss allowance for financial instruments whose credit risk has increased significantly	Loss allowance for financial instruments whose credit is impaired
Beginning balance	—	119	—	—
Increases	—	61	—	—
Decreases due to reversal	—	(119)	—	—
Other	—	8	—	—
Ending balance	—	69	—	—

Current fiscal year (from January 1, 2021 to December 31, 2022)

(In millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		
	Loss allowance for financial instruments other than trade receivables	Loss allowance for trade receivables	Loss allowance for financial instruments whose credit risk has increased significantly	Loss allowance for financial instruments whose credit is impaired
Beginning balance	—	69	—	—
Increases	—	146	—	—
Decreases due to reversal	—	(69)	—	—
Other	—	11	—	—
Ending balance	—	157	—	—

(c) Carrying amount of financial instruments for the loss allowance

The carrying amount (before the loss allowance) of financial instruments for the loss allowance as of each fiscal year end is as follows.

(In millions of yen)

	12-month expected credit losses	Lifetime expected credit losses		
	Loss allowance for financial instruments other than trade receivables	Loss allowance for trade receivables	Loss allowance for financial instruments whose credit risk has increased significantly	Loss allowance for financial instruments whose credit is impaired
Previous fiscal year As of December 31, 2021	3,737	155,604	—	—
Current fiscal year As of December 31, 2022	4,538	200,083	—	—

(d) Analysis of credit risk

The aging analysis of trade receivables as of each fiscal year end is as follows.

(In millions of yen)

	Previous fiscal year (As of December 31, 2021)	Current fiscal year (As of December 31, 2022)
Before due date	148,040	186,776
Up to 30 days past due	7,142	9,586
Over 30 days past due and up to 90 days past due	372	3,008
Over 90 days past due	50	713
Total	155,604	200,083

For trade receivables, the Group's major counterparties consist of specific distributors with high credit ratings and there is no material balance of loss allowance based on expected loss rate. For financial instruments other than trade receivables, there is no credit risk that is concentrated around credit ratings.

B. Liquidity risk

The Group is exposed to liquidity risk whereby the performance of payment obligations could become difficult. To limit its exposure to liquidity risk, however, the Group works to maintain fund management through the optimization of capital efficiency through the efficient management of working capital and the central management of funds by the Company. The Group also manages the liquidity risk by appropriately maintaining liquidity on hand through the timely preparation and updating of the financing plan and taking the external financial environment into account.

The balance of financial liabilities by due date is as follows.

Previous fiscal year (as of December 31, 2021)

(In millions of yen)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	219,430	219,430	204,330	12,308	2,792	—	—	—
Bonds and borrowings	814,088	840,156	128,366	126,503	413,823	36,931	134,533	—
Lease liabilities	17,232	17,683	5,654	4,098	3,021	2,232	1,075	1,603
Contingent consideration (Note)	4,681	5,176	5,176	—	—	—	—	—
Other	1,550	1,550	1,384	—	—	—	166	—
Total	1,056,981	1,083,995	344,910	142,909	419,636	39,163	135,774	1,603

Current fiscal year (as of December 31, 2022)

(In millions of yen)

	Carrying amount	Contractual cash flows	Due within one year	Due after one year but within two years	Due after two years but within three years	Due after three years but within four years	Due after four years but within five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	226,323	226,323	222,941	3,364	18	—	—	—
Bonds and borrowings	755,743	776,248	127,154	425,478	51,909	164,466	7,241	—
Lease liabilities	14,269	14,622	4,762	3,603	2,557	1,401	788	1,511
Contingent consideration (Note)	2,528	2,528	2,528	—	—	—	—	—
Derivative liabilities	8,342	8,342	6,441	1,284	—	—	617	—
Total	1,007,205	1,028,063	363,826	433,729	54,484	165,867	8,646	1,511

(Note) For details, please refer to “Note 7. Business Combinations.”

C. Market risk
(a) Foreign currency exchange risk
(i) Foreign currency exchange risk management
Foreign currency receivables and obligations arising from the global business development of the Group are exposed to the risk of foreign exchange rate fluctuations. To reduce the risk of foreign exchange rate fluctuations, the Group uses forward exchange contracts, currency options and currency swaps.

(ii) Net foreign exchange risk exposure
The Group's exposure to the risk of foreign exchange rate fluctuations (net amount) is as follows. This excludes derivative transactions and the amount entered into to hedge foreign exchange rate fluctuation risk using foreign currency deposits.

(In millions of yen)

Currency	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
US dollar	(311,239)	(15,293)
Euro	37,680	58,677

(iii) Sensitivity analysis of foreign exchange rates
Based on the assumption that all other variables are constant for foreign currency financial instruments held by the Group in the previous fiscal year and the current fiscal year, the amount of the impact of the 1.0% appreciation of the yen against the US dollar and the euro on profit before tax in the consolidated statement of profit or loss is as follows.

(In millions of yen)

Currency	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
US dollar	3,112	153
Euro	(377)	(587)

(b) Interest rate risk
Although the Group raises funds through borrowings for the purpose of securing funds for long-term working capital and the promotion of growth strategies, the Group is exposed to the risk of interest rate fluctuations because some borrowings are made at floating interest rates. To reduce the risk of changes in the interest paid on borrowings, the Group uses interest rate swaps as required. Accordingly, the Group has decided that the impact of the risk of interest rate fluctuations on the Company is limited and insignificant and does not conduct a sensitivity analysis for interest rate risk.

(c) Stock price risk
The Group has adopted an incentive plan for its employees for the purpose of securing excellent human resources, particularly at subsidiaries. To operate the incentive plan, the Group holds shares and other financial instruments for the long term and is exposed to the risk of changes in their market prices. Please note that, following the introduction of a stock option plan, the incentive plan was abolished and there was no new issuance.
The Group does not conduct a sensitivity analysis for the risk of changes in share prices since the impact of changes in share prices are immaterial.

(3) Fair value of financial instruments
A. Calculation method of fair value
The calculation method of the fair value of financial instruments is as follows.
(a) Cash and cash equivalents, and trade and other receivables
The fair value of these instruments approximates their carrying amount due to short term maturities.
(b) Trade and other payables
For trade and other payables that will mature within a short amount of time, the fair value approximates the carrying amount. The fair value of trade and other payables that will not mature in a short amount of time is calculated by the present value that is discounted by an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.
(c) Securities
If the market price of a security is available in an active market, the securities are measured using this market price and classified as Level 1. If the market price is not available, the fair value is measured mainly by a method based on net assets (method of calculating by making adjustments to the market value as required based on the net assets of the entity that issues shares) and others, and classified as Level 3.
(d) Long-term borrowings
The fair value of long-term borrowings is calculated at the present value that is discounted using an interest rate assumed for the case where a similar borrowing is newly made and classified as Level 2.
(e) Derivative transactions
Forward exchange contracts, currency options and currency swaps are calculated based on the price presented

by the customers' financial institution and classified as Level 2. In addition, the fair value calculated using unobservable inputs is classified as Level 3.

(f) Bonds

The fair value of bonds is calculated by referring to a market price and classified as Level 2.

(g) Contingent consideration

The fair value of the contingent consideration is calculated as the present value of the payments in the future using appropriate valuation methods with consideration of the probability of occurrence and is classified as Level 3.

(h) Other financial assets and liabilities

Time deposits with maturities of more than three months, long-term accounts receivable, security deposits and guarantee deposits received that are measured at amortized cost are classified as Level 2. Because their fair value approximates their carrying amount, they are omitted from the following table.

B. Classification of financial instruments measured at fair value by levels

In the fair value hierarchy, financial instruments are classified from Level 1 to Level 3 as follows.

Level 1: Fair value measured using unadjusted quoted prices in the active markets

Level 2: Fair value other than quoted prices include within Level 1 that are observable, either directly or indirectly

Level 3: Fair value calculated by using a valuation technique including inputs that are not based on observable market data

Transfers between the levels in the fair value hierarchy are recognized on the assumption that the transfers occur at the end of each reporting period. There is no transfer between levels.

(a) Financial instruments measured at amortized cost

The carrying amount and the fair value of financial instruments measured at amortized cost are as follows. Financial instruments measured at fair value and financial instruments whose carrying amount closely approximates fair value are not included in the table below.

Previous fiscal year (as of December 31, 2021)

(In millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowings	659,537	—	661,181	—	661,181
Bonds	154,551	—	154,551	—	154,551
Other payables	59,262	—	58,987	—	58,987
Total	873,350	—	874,719	—	874,719

Current fiscal year (as of December 31, 2022)

(In millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities					
Borrowings	577,154	—	575,563	—	575,563
Bonds	178,589	—	178,589	—	178,589
Other payables	41,206	—	40,941	—	40,941
Total	796,949	—	795,093	—	795,093

(b) Financial instruments measured at fair value

The components of financial assets and financial liabilities measured at fair value on a recurring basis that are classified as each level of the fair value hierarchy are as follows.

Previous fiscal year (as of December 31, 2021)

(In millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	123	—	123
Investment trust	5,475	—	—	5,475
Unlisted securities	—	—	6,018	6,018
Equity instruments measured at fair value through other comprehensive income				
Listed securities	250	—	—	250
Unlisted securities	—	—	2,581	2,581
Total	5,725	123	8,599	14,447
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	1,550	—	1,550
Contingent consideration (Note)	—	—	4,681	4,681
Total	—	1,550	4,681	6,231

Current fiscal year (as of December 31, 2022)

(In millions of yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	21,945	—	21,945
Investment trust	5,900	—	—	5,900
Unlisted securities	—	—	4,134	4,134
Equity instruments measured at fair value through other comprehensive income				
Listed securities	1,091	—	—	1,091
Unlisted securities	—	—	5,524	5,524
Total	6,991	21,945	9,658	38,594
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	8,342	—	8,342
Contingent consideration (Note)	—	—	2,528	2,528
Total	—	8,342	2,528	10,870

(Note) For details, please refer to “Note 7. Business Combinations.”

C. Changes in financial assets that are classified as Level 3 are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Beginning balance	4,740	8,599
Total gains or losses in the period	4,438	(616)
Profit or loss (Note 1)	3,072	(2,745)
Other comprehensive income (Note 2)	1,366	2,129
Purchases	—	2,638
Settlement	(623)	—
Transfer to Level 1	—	(120)
Acquisition due to business combination	44	—
Changes due to changes in the scope of consolidation	—	(843)
Ending balance	8,599	9,658

Changes in financial liabilities that are classified as Level 3 are as follows.

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Beginning balance	—	4,681
Total gains or losses in the period	—	(1,348)
Profit or loss (Note 3)	—	(1,348)
Settlement	—	(2,205)
Acquisition due to business combination	4,681	1,400
Ending balance	4,681	2,528

(Note) 1. Amounts relate to financial assets measured at fair value through profit or loss and included in "Finance income" and "Finance costs" in the consolidated statement of profit or loss.

2. Amounts relate to equity instruments measured at fair value through other comprehensive income and presented in "Equity instruments measured at fair value through other comprehensive income" in the consolidated statement of comprehensive income.

3. Amounts relate to financial liabilities measured at fair value through profit or loss and included in "Finance income" and "Finance costs" in the consolidated statement of profit or loss.

4. Financial instruments that are classified as Level 3 consist of unlisted securities and contingent consideration for acquisitions. Unlisted securities are mainly investments in funds, and the fair value of unlisted securities is measured based on the value of net asset as a valuation technique. In addition, the fair value of contingent consideration is measured in consideration of the possibility of achieving for developmental milestones and the time value of money. The measurement results of the fair value are reviewed and approved by an appropriate authorized person. Since these estimates are uncertain, fair value may increase if significant non-observable development milestones become more likely to be achieved.

(4) Derivative transactions and hedging activities

A. Overview of hedges

The Group uses forward exchange contracts, currency options and currency swaps for the purpose of hedging transactions against the risk of foreign exchange rate fluctuations in foreign currency cash flows. Hedge accounting is applied to those transactions that meet the requirements for hedge accounting. Even if the requirements for hedge accounting are not met, the Group uses derivative transactions if they are economically reasonable. Changes in the fair value of the derivative transactions are recognized in profit or loss. The Group has also set a policy of not engaging in derivative transactions for speculative purposes.

<u>Cash flow hedges</u>

Cash flow hedges are hedging transactions to avoid the risk of changes in future cash flows, and changes in the fair value of derivative transactions that are designated as cash flow hedges are recognized in other comprehensive income. The amount that is recognized in accumulated other comprehensive income is reclassified to profit or loss at the time when the hedged transactions affect profit or loss. If the hedged items give rise to the recognition of non-financial assets or non-financial liabilities, the amount that is recognized in other comprehensive income is reclassified as an adjustment to the initial carrying amount of non-financial assets or non-financial liabilities. Derivatives that are designated as cash flow hedges include forward exchange contracts, currency options and currency swaps to hedge the risk of changes in cash flows due to changes in the foreign exchange rates for foreign currency transactions.

In the previous fiscal year and the current fiscal year, the amount recognized in profit or loss for the hedge ineffective portion and the portion that was excluded from the assessment of hedge effectiveness was not material.

B. Information on items that are designated as hedging instruments

The impact of hedging instruments that are designated as hedges on the consolidated statement of financial position is as follows. Derivative assets and liabilities are included in “Other financial assets” and “Other financial liabilities,” respectively, in the consolidated statement of financial position.

Previous fiscal year (as of December 31, 2021)

(In millions of yen)

	Contract amount	Book value of hedging instruments (Fair value)		Changes in fair value used as the basis for recognizing the ineffective portion of hedges
		Assets	Liabilities	
Cash flow hedges				
Foreign currency exchange risk				
Currency options	74,919	—	918	—
Currency swaps	155,156	123	166	(1,151)

Current fiscal year (as of December 31, 2022)

(In millions of yen)

	Contract amount	Book value of hedging instruments (Fair value)		Changes in fair value used as the basis for recognizing the ineffective portion of hedges
		Assets	Liabilities	
Cash flow hedges				
Foreign currency exchange risk				
Currency options	332,855	12,026	7,050	—
Currency swaps	182,252	9,919	617	(11,708)

C. Information on items designated as hedged items

The amount of the impact of hedged items that are designated as hedges on the consolidated statement of financial position is as follows.

Previous fiscal year (as of December 31, 2021)

(In millions of yen)

	Changes in fair value used as the basis for recognizing the ineffective portion of hedges	Surplus for cash flow hedges related to ongoing hedging	Surplus for cash flow hedges related to the suspension of hedge accounting
Cash flow hedges			
Foreign currency exchange risk			
Plan on purchasing	—	(684)	—
Bonds	(1,151)	(111)	—

Current fiscal year (as of December 31, 2022)

(In millions of yen)

	Changes in fair value used as the basis for recognizing the ineffective portion of hedges	Surplus for cash flow hedges related to ongoing hedging	Surplus for cash flow hedges related to the suspension of hedge accounting
Cash flow hedges			
Foreign currency exchange risk			
Plan on purchasing	—	(3,868)	—
Bonds and borrowings	(11,708)	(8,651)	—

D. Impact of the application of hedge accounting on the consolidated statement of profit and loss and the consolidated statement of comprehensive income

The impact of hedging instruments that are designated as cash flow hedges on the consolidated statement of profit and loss and the consolidated statement of comprehensive income is as follows.

Previous fiscal year (as of December 31, 2021)

(In millions of yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (Note)	Ineffective portion recognized in profit or loss	Amount after basis adjustment to cash flow hedges (Note)
Cash flow hedges			
Foreign currency exchange risk			
Currency options	(4,329)	—	—
Currency swaps	162	—	(223)

(Note) Amount before tax effect.

Current fiscal year (as of December 31, 2022)

(In millions of yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (Note)	Ineffective portion recognized in profit or loss	Amount after basis adjustment to cash flow hedges (Note)
Cash flow hedges			
Foreign currency exchange risk			
Currency options	(5,427)	—	10,559
Currency swaps	(12,622)	(87)	(1,140)

(Note) Amount before tax effect.

E. Fair value of derivatives to which hedge accounting is not applied

The fair value and contract amount, etc. of derivatives to which hedge accounting is not applied are as follows.

Previous fiscal year (as of December 31, 2021)

Not applicable.

Current fiscal year (as of December 31, 2022)

(In millions of yen)

	Contract amount	Book value of hedging instruments (Fair value)	
		Assets	Liabilities
Currency options	385,174	—	675

(5) Transfer of financial assets

Accelerating from restructuring to growth stage, the Group provides diversified financing to achieve these growth strategies and liquidates certain trade receivables by transferring receivables.

The expenses arising from transfer of trade receivables derecognized in their entirety were 40 million yen in the previous fiscal year and 39 million yen in the current fiscal year.

34. Related Parties

(1) Transactions with related parties

Previous fiscal year (from January 1, 2021 to December 31, 2021)

Innovation Network Corporation of Japan, which was a principal shareholder of the Group, was established in July 2009 with the Japanese government as the principal shareholder, and the total amount of investments by the Japanese government accounts for 95% or more of the capital of Innovation Network Corporation of Japan. As a result, the Japanese government and the government-related entities have become related parties of the Group.

In addition, Innovation Network Corporation of Japan conducted a business divestiture in September 21, 2018 and newly created INCJ, Ltd.. INCJ, Ltd. succeeded to all of the Group's shares of Innovation Network Corporation of Japan and became a principal shareholder of the Group.

Between the Group and these related parties, there are neither significant transactions individually nor significant transactions on aggregate although not significant individually.

Furthermore, transactions with INCJ and other related parties are not applicable.

Current fiscal year (from January 1, 2022 to December 31, 2022)

Transactions with related parties is as follows.

(In millions of yen)

Attribute	Company name	Ratio of Share-Holding (Owned)	Relation with related parties	Contents of transaction	Amounts of transaction	Account	Balance as of December 31, 2022
Major corporate shareholders	INCJ, Ltd.	(Owned) Direct 12.52% (Note 1)	—	Purchases of treasury shares (Note 2)	200,000	—	—

(Note) 1. Ratio of share holding of INCJ, Ltd. has decreased to 12.52% due to a Tender Offer conducted for its treasury shares during the period from April 28, 2022 to May 31 based on the resolution of the Board of Directors held on April 27. As a result, it is no longer a related party of the Group under IFRS.

2. Based on the resolution of the Board of Directors held on April 27, 2022, the Company conducted a Tender Offer for its treasury shares during the period from April 28, 2022 to May 31, 2022 and acquired 168,067,250 shares. For details, see "Note 23 Share Capital and Other Equity Items."

(2) Compensation to key management

Compensation paid to key management personnel is as follows.

(In millions of yen)

Category	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Remuneration and bonuses	226	254
Share-based payments	384	384
Total	610	638

(Note) The exercise price and other key terms of share-based payment arrangements are as stated in "Note 32. Share-based Payments."

35. Major Subsidiaries

All subsidiaries are included in the scope of consolidation for our consolidated financial statements.

Major subsidiaries as of December 31, 2022 are as follows.

Company	Location	Descriptions of Principal Businesses	Percentage Ownership and Voting Interest (%)	
			Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Renesas Semiconductor Manufacturing Co., Ltd.	Hitachinaka, Ibaraki	Manufacturing and Engineering Service Companies	100.0	100.0
Renesas Electronics Hong Kong Limited	Hong Kong, China	Sales Companies	100.0	100.0
Renesas Electronics America Inc.	California, U.S.A.	Design, Applications, Manufacturing and Sales Companies	100.0	100.0
Renesas Electronics Europe GmbH (Germany)	Dusseldorf, Germany	Design, Applications and Sales Companies	100.0	100.0
Renesas International Operations Sdn. Bhd.	Selangor, Malaysia	Management of parts of consignment business of our Group companies	100.0 (100.0) (Note)	100.0 (100.0) (Note)
Renesas Electronics (Penang) Sdn. Bhd.	Penang, Malaysia	Engineering, Manufacturing and Sales Companies	100.0 (100.0) (Note)	100.0 (100.0) (Note)
Renesas Electronics Germany GmbH	Dresden, Germany	Engineering, Manufacturing and Sales Companies	100.0 (100.0) (Note)	100.0 (100.0) (Note)
IDT Bermuda Ltd.	Bermuda	Business Corporations and Others	100.0 (100.0) (Note)	100.0 (100.0) (Note)
GigPeak, Inc.	Delaware, U.S.A.	Business Corporations and Others	100.0 (100.0) (Note)	100.0 (100.0) (Note)
Dialog	Buckinghamshire, U.K.	Engineering, Manufacturing and Sales Companies	100.0	100.0
Celeno	Delaware, U.S.A.	Business Corporations and Others	100.0	100.0

(Note) Numbers in parentheses represent indirect voting rights.

There are no subsidiaries with significant non-controlling interests.

36. Commitments and Contingent Liabilities

(1) Commitments for the acquisition of assets

The Group's commitments for the acquisition of assets are as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Property, plant and equipment	25,771	119,625
Intangible assets	447	942
Total	26,218	120,567

(Note) These amounts relate primarily to the unperformed contracts regarding investment in facilities for resuming operations at Kofu Factory plant and enhancing production capacity at Naka Factory and others.

(2) Loan commitments

The Group has entered into a contract for setting commitment lines with its main banks for the purpose of securing long-term working capital, and the balance of unused loans is as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Total amount of commitment lines	50,000	50,000
Balance of used loans	—	—
Balance of unused loans	50,000	50,000

(3) Debt guarantees

The Group provides debt guarantees against bank loans, etc. of its employees as follows.

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Guarantees of employees' obligations	26	11
Total	26	11

(Guarantees of employees' obligations)

The Group provides guarantees for the housing loans of employees as part of its welfare program. If an employee cannot repay a housing loan covered by a debt guarantee, the Group must assume the obligation. These debt guarantees are secured by the houses of the employees.

(4) Others

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, investigation by regulatory authorities and other legal proceedings in various countries.

Though it is difficult to predict the outcome of the legal proceedings to which the Group is presently a party or to which it may become a party in future, the resolution of such proceedings may require considerable time and expense. There is a possibility that the Group's business, performance, financial condition, cash flow, reputation and creditability to have significant adverse effects by the outcome.

The Group records provision for loss on litigation for several cases written below to the extent possible to make a reasonable estimation. Additionally, the Group records loss on litigation for cases other than below, to prepare for payments regarding lawsuits against other companies and compensation for damages. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" Article 92, the Group does not disclose detailed information of these cases since it is likely to lead the Group to an unfavorable position.

(Civil lawsuit related to the alleged patent infringement and trade secret violation)

The Group's subsidiary in the U.S has been named as a defendant in a lawsuit filed in November 2008 in the United States of America District Court for the Eastern District of Texas (hereinafter "the Court of First Instance") related to the alleged patent infringement and trade secret violation. The Group's subsidiary filed a notice of appeal at the Court of Appeals for the Federal Circuit (hereinafter "the Court of Second Instance") against the Court of First Instance judgment of June 2016, and in July 2018, the Court of Second Instance rejected the judgement of the Court of First Instance for payment of compensation and conducted the retrial order at the Court of First Instance. After the retrial, in March 2022, the Court of First Instance issued judgement ordering compensation of 48.3 million US dollars. Subsequently, in August 2022, the Group's subsidiary filed an appeal with the Court of Second Instance.

(Civil lawsuits related to the alleged violations of the competition law)

In July 2019, the Group has been named in the United Kingdom as a defendant in civil lawsuits related to possible violations of competition law involving smartcard chips brought by purchaser of such products. Supreme Court of the United Kingdom has made a decision not to allow an appeal regarding the lower court judgment to dismiss the claim.

(Indemnification claim related to environmental pollution)

The Group's subsidiary in Taiwan has been subjected to requests for restitution for environmental pollution associated with a factory in Taiwan owned by the subsidiary's predecessor company.

Since June 2004, the Group's subsidiary has been notified that a company reserved its right to seek indemnification from us for all costs associated with the remediation of the contamination related to environmental pollution found at a factory in Taiwan owned by the subsidiary's predecessor company, and the costs associated with the lawsuit as well as the costs relating to those retained environmental liabilities in a toxic tort class action lawsuit filed by ex-employees worked at the factory. Though the Group's subsidiary is not a defendant in the class action lawsuit, the claimant initiated arbitration proceedings against us related to all claims arising out of the contamination, including the remediation, the toxic tort claims, and attorneys' fees in December 2017, but afterward, the arbitration was ordered to stay by the arbitrator on a unilateral request by the claimant.

37. Government Grants

Government grants related to employment or other actions taken by the Group are recognized in profit or loss. Government grants of 286 million yen and 1,051 million yen were deducted from cost of sales and selling, general and administrative expenses, respectively for the previous fiscal year.

In addition, government grants related to research and development are recognized in profit or loss and recorded in “Other income” for the previous fiscal year and the current fiscal year.

38. Additional Information

(Fire outbreak in a wholly-owned manufacturing subsidiary)

On March 19, 2021, a fire broke out at a manufacturing line of Naka Factory (located in Hitachinaka, Ibaraki Prefecture) of Renesas Semiconductor Manufacturing Co., Ltd, a wholly-owned manufacturing subsidiary of the Company. Due to this fire, the Group recorded 18,216 million yen for restoration and repairment costs of property, plant and equipment, disposal costs and reinspection fees of inventories and fixed costs during the shutdown for the previous fiscal year. These are included in cost of sales of 18,108 million yen and other expenses of 108 million yen in the consolidated statement of profit or loss. In addition, other payables of the fire related costs are recorded in trade and other payables and other liabilities of 6,147 million yen in the consolidated statement of financial position as of the end of the previous fiscal year.

The Group recorded 942 million yen for restoration and repairment costs of property, plant and equipment for the current fiscal year. These are included in cost of sales in the consolidated statement of profit or loss. In addition, the Group received part of fire insurance payments and recorded the amount received as “Other income” for the current fiscal year. The remaining part of fire insurance payments is to be recorded as “Other income” of 29,610 million yen for the three months ending March 31, 2023. This insurance payments include the amount for loss of profits in the event of fire damage.

39. Subsequent Events

(Acquisition of and Tender Offer for Treasury Shares)

The Company has resolved at the Meeting of Board of Directors dated February 9, 2023, to authorize an acquisition of its own shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the provisions of its Articles of Incorporation and conduct a tender offer to acquire treasury shares (hereinafter the “Tender Offer”) under the specific acquisition method as follows. The Tender Offer was concluded on March 10, 2023.

(1) Purposes of Tender Offer

The Company concluded, in the middle of December 2022, that the Company’s financial structure was robust enough to conduct an additional measure, following the tender offer for treasury shares with a purchase period from April 28, 2022 to May 31, 2022 (hereinafter the “2022 Tender Offer”), for returning profits to shareholders and decided to specifically consider whether or not, when, how and the extent to which it would implement the further acquisition of its treasury shares for the purpose of returning profits to shareholders and improving capital efficiency. Additionally, as stated above, INCJ, Ltd. (hereinafter “INCJ”), needs to divest all of its shares of the Company’s common stock in the future and therefore, after the implementation of the 2022 Tender Offer, the Company continued to discuss with INCJ the method and timing of divestments of the shares of the Company’s common stock owned by INCJ and was aware that INCJ had the intention to further divest its shares of the Company’s common stock. As a method of it, in light of the following points, the Company believed that purchasing a part of the shares of the Company’s common stock owned by INCJ at a price discounted from the market price through a tender offer would be the reasonable option for the Company and its shareholders in order to return profits to shareholders.

Regarding the specific acquisition method of its treasury shares, as a result of consideration of equality among shareholders, the transparency of transactions, the likelihood of being able to acquire the intended number of shares of common stock of the Company from INCJ, and the possibility to curb the amount of funds required to acquire treasury stock, the Company has determined that a tender offer is the most appropriate method.

Regarding the calculation of the purchase price per share in the Tender Offer (hereinafter the “Tender Offer Price”), the Company believed that priority should be given to the market price of the shares of its common stock, because the Company’ common stock is listed on a financial instruments exchange and the basis for calculating the Tender Offer Price should be clear and objective. In addition, by setting a certain discount rate, the Company believed that it will improve the likelihood of acquiring common stock of the Company from INCJ and curb the funds required for the acquisition of treasury stock.

As a result of discussions with INCJ, the Company entered into the Tender Agreement with INCJ on February 9, 2023 by which INCJ will tender 40,000,000 shares (ownership ratio: 2.23%) of the Company’s common stock owned by INCJ through the Tender Offer. As of February 9, 2023, INCJ is the largest shareholder among other major shareholders of the Company, and even if the INCJ Tendering Shares are tendered in the Tender Offer and the Company purchases all such INCJ Tendering Shares, the largest shareholder among other major shareholders is not expected to change.

The Company has not decided on the policy of disposing of the treasury shares acquired through the Tender Offer.

(2) Resolution of the Meeting of the Board of Directors on the Acquisition of Treasury Shares

a. Class of shares to be acquired:	Common stock
b. Total number of shares to be acquired:	40,453,174 shares (upper limit)
c. Total acquisition price:	50,000,123,064 yen (upper limit)
d. Acquisition period:	From February 10, 2023 to April 28, 2023

(3) Outline of the Tender Offer

a. Number of shares to be purchased:	40,453,074 shares
b. Price of purchase:	1,236 yen per share of common stock
c. Period of Tender Offer:	From February 10, 2023 to March 10, 2023
d. Date of public notice of commencement of tender offer:	February 10, 2023
e. Commencement date of settlement:	April 4, 2023

(4) Completion of the Acquisition of Treasury Shares

a. Class of shares acquired:	Common stock
b. Total number of shares acquired:	40,453,107 shares
c. Total acquisition price:	50,000,040,252 yen
d. Acquisition period:	From February 10, 2023 to March 10, 2023
e. Acquisition method:	Tender Offer

With the completion of the Tender Offer, the acquisition of treasury shares authorized by the resolution of the Meeting of Board of Directors adopted on February 9, 2023 pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the provisions of its Articles of Incorporation has been completed.

(Acquisition of Stock of Panthronics AG)

On March 21, 2023, the Company has entered into a definitive agreement with the shareholders of Panthronics AG (hereinafter “Panthronics”), a fabless semiconductor company in Austria, under which the Company will acquire Panthronics in an all-cash transaction through its wholly owned subsidiary (hereinafter “the Acquisition”).

(1) Purpose of acquisition

NFC (Near-Field Communication) has emerged as a de facto standard in the digital economy and touches many aspects of daily life. Fintech, such as mobile point-of-sale (mPoS) terminals and contactless payment, IoT, asset tracking, and wireless charging are highlights of NFC’s increasing presence.

Panthronics has been offering advanced NFC chipsets and software that are easy to apply, innovative, small-in-size, and highly efficient for payment, IoT, and NFC wireless charging.

The Company and Panthronics have been addressing the rising demand of NFC as partners since 2018. Acquiring Panthronics’ competitive NFC technology will provide the Company with in-house capability to instantly capture growing and emerging market opportunities for NFC. The Acquisition will enrich the Company’s portfolio of connectivity technology, extending its reach into high-demand NFC applications in fintech, IoT, asset tracking, wireless charging, and automotive applications.

(2) Overview of the acquiree

a. Name	Panthronics AG
b. Business description	Development, design and sales of high-performance wireless products such as NFC chipsets and software

(3) Acquisition Method

Acquisition of shares for cash consideration.

(4) Schedule

The Acquisition is expected to close by the end of December 2023, after obtaining required regulatory approval and completing customary closing conditions.

(2) Other

Quarterly information, etc. for the current fiscal year

(Cumulative period)		First quarter	Second quarter	Third quarter	Current fiscal year
Revenue	(Million yen)	346,288	722,908	1,110,040	1,500,853
Profit before tax	(Million yen)	78,742	147,423	243,098	362,299
Profit attributable to owners of parent	(Million yen)	59,883	110,437	185,148	256,632
Basic earnings per share	(Yen)	30.79	56.96	98.07	137.67

(Accounting period)		First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share	(Yen)	30.79	26.15	41.79	39.86

(Note) The Group has finalized the provisional accounting treatment related to the business combinations for the current fiscal year. Therefore, regarding the amounts related to Quarterly information, the significant revision of the purchase price allocation has been reflected.

2. Non-Consolidated Financial Statements

(1) Non-Consolidated Financial Statements

(i) Non-consolidated Balance Sheet

(In millions of yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Assets		
Current assets		
Cash and deposit	98,783	167,686
Electronically recorded receivables	2,259	2,200
Account receivable-trade	※1 104,597	※1 117,520
Finished goods	20,009	27,573
Work in process	35,398	49,854
Raw materials and supplies	1,936	3,776
Prepaid expenses	2,455	2,997
Accounts receivable-other	※1 20,912	※1 33,260
Other current assets	※1 5,570	※1 23,935
Total current assets	291,920	428,801
Non-current assets		
Property, plant and equipment		
Building	※2 31,936	※2 31,430
Strictures	※2 3,897	※2 3,777
Machinery and equipment	※2 39,825	※2 43,224
Vehicles	322	219
Tools, furniture and fixtures	12,999	15,990
Land	※2 19,340	※2 18,966
Construction in progress	7,538	5,153
Total of Current assets	115,857	118,758
Intangible assets		
Software	8,365	6,943
Other intangible assets	1,234	866
Total Intangible assets	9,599	7,809
Investments and other assets		
Investment securities	15	2,807
Shares of subsidiary and affiliates	※2 1,894,855	※2 1,902,877
Long-term prepared expenses	33,868	24,939
Prepared pension costs	10,527	13,536
Deferred tax assets	17,321	20,155
Other assets	11,238	33,057
Allowance for doubtful accounts	(0)	(0)
Total Investments and other assets	1,967,825	1,997,371
Total Non-current assets	2,093,281	2,123,938
Deferred assets		
Bond issuance costs	739	556
Total Deferred assets	739	556
Total assets	2,385,940	2,553,295

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
		(In millions of yen)
Liabilities		
Current liabilities		
Electronically recorded obligations	5,271	5,164
Account payable-trade	※1 110,796	※1 111,972
Current portion of long-term borrowing	※2 120,001	※2 120,001
Lease obligations	27	27
Accounts payable-other	※1 42,180	※1 41,184
Accrued expenses	※1 22,979	※1 26,529
Income taxes payable	15,356	65,865
Contract liabilities	—	177
Advances received	902	623
Deposits received	※1 384,304	※1 478,939
Deferred revenue	2	—
Provision for product warranties	64	86
Provision for sales rebates	21,453	—
Provision for business restructuring	20	2
Provision for contingent losses	2,932	1,098
Provision for share-based payments	8,946	8,643
Asset retirement obligations	25	—
Other current liabilities	6,440	36,489
Total current liabilities	741,698	896,798
Non-current liability		
Bonds	154,359	154,359
Long-term borrowing	※2 541,041	※1,※2 536,387
Lease obligations	81	51
Provision for retirement benefits	13,032	11,945
Provision for share-based payments	5,513	6,852
Asset retirement obligations	1,816	1,801
Other non-current liabilitirs	15,100	4,666
Total of Current assets	730,941	716,060
Total liabilities	1,472,639	1,612,858
Net Assets		
Shareholders’ equity		
Share capital	147,133	153,209
Capital surplus		
Legal capital surplus	137,133	143,209
Other capital surplus	207,061	206,642
Total capital surplus	344,194	349,851
Retained earnings		
Other retained earnings		
Retained earnings brought forward	409,076	621,723
Total retained earnings	409,076	621,723
Treasure shares	(11)	(192,171)
Total shareholders’ equity	900,391	932,612
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	—	(1)
Deferred gains or losses on hedges	(360)	224
Total valuation and translation adjustments	(360)	223
Share acquisition rights	13,270	7,602
Total net assets	913,301	940,437
Total liabilities and net assets	2,385,940	2,553,295

(ii) Non-Consolidated Statement of Operations

(In millions of yen)

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Net sales	※1 771,277	※1 1,075,144
Cost of sales	※1 454,068	※1 559,947
Gross profit	317,209	515,196
Selling, general and administrative expenses	※1,※2 152,203	※1,※2 164,206
Operating income	165,006	350,991
Non-operating income		
Interest income	※1 6	※1 243
Dividend income	1,570	1,097
Other non-operating income	1,368	919
Total non-operating income	2,943	2,259
Non-operating expenses		
Interest expenses	※1 7,550	※1 16,119
Foreign exchange losses	25,356	55,869
Other non-operating expenses	5,181	1,777
Total non-operating expenses	38,088	73,765
Ordinary income	129,862	279,485
Extraordinary income		
Gain on sales of non-current assets	750	※3 9,328
Other extraordinary income	106	890
Total Extraordinary income	856	10,218
Extraordinary losses		
Business restructuring expenses	※1,※4 93	※1,※4 1,009
Other extraordinary losses	3,642	328
Total extraordinary losses	3,736	1,337
Income before income taxes	126,982	288,365
Income taxes-current	23,447	78,809
Income taxes-deferred	(10,392)	(3,091)
Total Income taxes	13,054	75,718
Net income	113,928	212,647

(iii) Non-Consolidated Statement of Changes in Net Assets

Previous fiscal year (from January 1, 2021 to December 31, 2021)

(In millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasure shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		
					Retained earnings brought forward		
Balance at January 1, 2021	28,971	18,971	207,061	226,032	295,148	(11)	550,141
Change during period							
Issuance of new share	118,161	118,161		118,161			236,322
Net income					113,928		113,928
Purchase of treasury shares							
Disposal of treasury shares							
Net changes in items other than shareholders' equity							
Total changes during period	118,161	118,161	—	118,161	113,928	—	350,250
Balance at December 31, 2021	147,133	137,133	207,061	344,194	409,076	(11)	900,391

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at January 1, 2021	—	—	—	15,959	566,100
Change during period					
Issuance of new share					236,322
Net income					113,928
Purchase of treasury shares					—
Disposal of treasury shares					—
Net changes in items other than shareholders' equity		(360)	(360)	(2,690)	(3,050)
Total changes during period	—	(360)	(360)	(2,690)	347,201
Balance at December 31, 2021	—	(360)	(360)	13,270	913,301

Current fiscal year (from January 1, 2022 to December 31, 2022)

(In millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus			Retained earnings	Treasure shares	Total shareholders' equity
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings		
					Retained earnings brought forward		
Balance at January 1, 2022	147,133	137,133	207,061	344,194	409,076	(11)	900,391
Change during period							
Issuance of new share	6,076	6,076		6,076			12,153
Net income					212,647		212,647
Purchase of treasury shares						(200,000)	(200,000)
Disposal of treasury shares			(419)	(419)		7,840	7,420
Net changes in items other than shareholders' equity							
Total changes during period	6,076	6,076	(419)	5,657	212,647	(192,160)	32,221
Balance at December 31, 2022	153,209	143,209	206,642	349,851	621,723	(192,171)	932,612

	Valuation and translation adjustments			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains (losses) on hedges	Total valuation and translation adjustments		
Balance at January 1, 2022	—	(360)	(360)	13,270	913,301
Change during period					
Issuance of new share					12,153
Net income					212,647
Purchase of treasury shares					(200,000)
Disposal of treasury shares					7,420
Net changes in items other than shareholders' equity	(1)	584	583	(5,667)	(5,085)
Total changes during period	(1)	584	583	(5,667)	27,136
Balance at December 31, 2022	(1)	224	223	7,602	940,437

Notes to Non-Consolidated Financial Statements

(Significant accounting policies)

1. Valuation basis and method of assets

(1) Securities

Shares of subsidiaries and affiliates

Stated at cost determined by the moving-average method

Other securities

・Securities other than shares that do not have a market value

Market value method (with the entire amount of valuation differences inserted directly into net assets, and the cost of securities sold calculated by the moving-average method)

・Shares that do not have a market value

Cost based on the moving average method

(2) Derivatives

Market value method

(3) Inventories

Cost based on the following valuation methods (the carrying value on the balance sheet is written down to reflect the effect of lower profit margins)

Finished goods;

Made-to-order: Specific identification method

Standard mass-produced products: Gross average method

Work in process;

Made-to-order: Specific identification method

Standard mass-produced products: Gross average method

Raw materials and supplies

Mainly weighted average method

2. Depreciation method for fixed assets

(1) Tangible fixed assets (excluding leased assets)

Straight-line method

(2) Intangible fixed assets

Straight-line method

(3) Lease assets

Lease assets related to finance lease transactions that transfer ownership

The same depreciation method as that applied to fixed assets owned by the Company

Leased assets related to finance lease transactions that do not transfer ownership

Depreciated using the straight-line method over the lease term with a residual value of zero.

(4) Long-term prepaid expenses

Straight-line method, etc.

3. Accounting for deferred assets

Bond issuance costs are amortized by the straight-line method over the period until the bonds are redeemed.

4. Basis for recording of allowances and provisions

(1) Allowance for doubtful accounts

The allowance for doubtful accounts is provided in an amount sufficient to cover probable losses on the collection of receivables. For general receivables, an allowance is provided using a rate determined by past bad debt experience, and for specific doubtful accounts, an allowance is provided in an amount estimated individually considering the probability of collection.

(2) Provision for retirement benefits

To provide for the payment of retirement benefits to employees, the Company records an amount recognized to have accrued at the end of the current fiscal year as provision for retirement benefits or prepaid pension cost, based on the estimated amount of retirement benefit obligations and pension assets at the end of the current fiscal year.

Actuarial gains and losses are amortized from the following fiscal year by the straight-line method over the average remaining service period of employees when incurred.

Prior service cost is amortized as incurred by the straight-line method over the average remaining service period of employees.

(3) Provision for product warranties

To provide for expenses for free-of-charge repairs after product sales, the Company records an estimated amount for individual cases and an estimated amount based on the historical ratio of free-of-charge repairs to net sales.

(4) Provision for loss on guarantees

To prepare for future losses from the fulfillment of guarantees, an estimated amount of losses is recorded, taking into consideration the assets of the guaranteed parties and other factors.

(5) Provision for business restructuring

The provision for business restructuring is made for possible future losses from business restructuring and liquidation.

(6) Provision for contingent losses

To provide for possible future contingent losses, such as lawsuits and disputes, the Company records an estimated amount of loss reasonably calculated by examining individual risks for each contingent event.

(7) Provision for sales rebates

To prepare for future sales rebates, an allowance for sales rebates is provided for the estimated amount of rebates based on actual rebate rates and other factors.

(8) Provision for share-based payments

To provide for the delivery of the Company's shares to Directors, Executive Officers, and employees in accordance with the Company's share delivery regulations, a provision is provided based on the estimated amount of liabilities for share delivery at the end of the current fiscal year.

5. Basis for recognition of revenues and expenses

The Company recognizes revenue based on the following five-step model.

Step 1: Identify the contract with the customer.
Step 2: Identify the performance obligations in the contract.
Step 3: Calculate the transaction price.
Step 4: Allocate the transaction price to the performance obligation.
Step 5: Recognize revenue when or as the performance obligation is satisfied.

The Company engages in research, design, development, manufacturing, sales and services related to various kinds of semiconductors as a manufacturer specializing in semiconductors. Revenue is recognized mainly when the goods are delivered as the ownership of these goods has been transferred to the customer and the performance obligations are satisfied at the time of delivery.

Also, revenue is measured at the fair value of the consideration received after deducting discounts, rebates and returns.

Sales to specific distributors may be subject to the following various sales promotion programs.

Ship and debit is a program designed to assist specific distributors on their sales to end customers through pricing adjustments. Under this program, the selling prices will be adjusted when the specific distributors sell the products to the end customers. At the time the Company records sales to the specific distributors, the Company accrues for refund liabilities and deduct the same amounts from revenue based on the estimate of the variable consideration resulting from the possible application of the ship and debit program upon the future sales by the distributors. In addition, the related balance of accounts receivable-trade is transferred to long-term accounts receivable in order to reduce specific distributors' financial burden caused by a time lag, and will be reversed in the future based on the contract.

Stock rotation is a program whereby on a semiannual basis, specific distributors are allowed to return, for credit, inventories equal to a certain percentage of their purchases for the previous six months. The Company accrues for refund liabilities related to the stock rotation program on a quarterly basis and deduct the same amount from revenue.

6. Hedge accounting methods

(1) Hedge accounting method

Basically, deferred hedge accounting is applied. Currency swaps that meet the requirements for deferral hedge accounting are accounted for by the allocation method, and interest rate and currency swaps that meet the requirements for integral hedge accounting (exceptional treatment and allocation method) are accounted for by the integral hedge accounting.

(2) Hedging instruments and hedged items

Hedging instruments: Foreign exchange forward contracts, currency options, currency swaps and interest rate and currency swaps

Hedged items: Anticipated transactions denominated in foreign currencies, bonds payable denominated in foreign currencies, and borrowings denominated in foreign currencies.

(3) Hedging policy

In accordance with the Group's internal rules, hedging is conducted to avoid foreign exchange fluctuation risks associated with hedged items.

(4) Method of assessing hedge effectiveness

The Company assesses the effectiveness of hedging activities by comparing the cumulative cash flow fluctuations of the hedging instruments with the cumulative cash flow fluctuations of the hedged items for the period from the inception of the hedge to the point at which effectiveness is assessed.

The assessment of effectiveness is omitted because currency swaps meet the requirements for the allocation method and interest rate and currency swaps meet the requirements for the integrated treatment.

7. Other important matters serving as the basis for preparation of financial statements

(1) Accounting for retirement benefits

The method of accounting for unrecognized actuarial gains and losses and unrecognized prior service cost related to retirement benefits differs from the method of accounting for these items in the consolidated financial statements.

(2) Application of consolidated tax payment system

The consolidated tax payment system is applied.

The Company will shift from the consolidated tax payment system to the group totalization system from the following fiscal year. However, with respect to the transition to the group totalization system established by the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 8 of 2020) and items for which the non-consolidated tax payment system was revised in conjunction with the transition to the group totalization system, the Company will apply the "Treatment of Application of Tax Effect Accounting for Transition from Consolidated Tax Payment System to Group Totalization System" (Practical In accordance with the treatment in Paragraph 3 of "Treatment of Application of Accounting Standard for Tax Effect Accounting" (PITF No. 39, March 31, 2020), the provisions in Paragraph 44 of "Guidance on Accounting Standard for Tax Effect Accounting" (ASBJ Guidance No. 28, February 16, 2018) are not applied and the amounts of deferred tax assets and deferred tax liabilities are based on the provisions of the tax law before the revision. The Company has applied the "Accounting Standard for Tax Effects" (ASBJ Guidance No. 28, February 16, 2018).Hedge Accounting Methods

Effective from the beginning of the next fiscal year, the Company plans to apply the "Practical Solution on Unification of Accounting Policies and Disclosures for Group Companies" (ASBJ PITF No. 42, August 12, 2021), which provides for the accounting treatment and disclosure of corporate and local income taxes and tax effect accounting when a group-wide aggregation system is applied.

(Change in accounting policy)

1. Application of Accounting Standard for Revenue Recognition

The "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the "Accounting Standard for Revenue Recognition") was adopted. The "Accounting Standard for Revenue Recognition") The Company adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the current fiscal year, and recognized revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services is transferred to the customer.

The application of the revenue recognition accounting standard, etc. follows the transitional treatment prescribed in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and has no effect on profit and loss and the beginning balance of retained earnings for the current fiscal year.

In addition, of the "advances received" presented in "current liabilities" in the balance sheet for the previous fiscal year, the portion related to the revenue recognition accounting standard, etc. and "unearned revenue" are included in "contract liabilities" from the current fiscal year, and "reserve for sales rebates" is changed to be presented in "refund liabilities" and included in "other" in "current liabilities" for 25 The refund liability of 25,296 million yen is included in "Other" under "Current liabilities. However, in accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, the reclassification has not been made for the previous fiscal year.

The effect of this change on the statement of income for the current fiscal year is immaterial.

2. Application of Accounting Standard for Calculation of Fair Value etc.

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the "Accounting Standard for Calculation of Fair Value") was adopted. Hereinafter referred to as "Accounting Standard for Calculation of Fair Value"). and others are applied from the beginning of the current fiscal year, and the new accounting policies stipulated by the Accounting Standard for Fair Value Calculation and others are applied prospectively in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Calculation and paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, July 4, 2019) . This change has no impact on the financial statements.

(Change in presentation method)

(Statements of Income)

Subsidy income" under "Non-operating income," which was independently presented in the previous fiscal year, is included in "Other" under "Non-operating income" in the current fiscal year because it has become immaterial. The amount of "Subsidy income" in the previous fiscal year was 1,286 million yen.

Gain on sales of fixed assets," which was included in "Other" under "Extraordinary income" in the previous fiscal year, is separately presented as an independent account in the current fiscal year due to its increased materiality.

Provision for contingent loss" under "Extraordinary loss," which was independently presented in the previous fiscal year, is included in "Other" under "Extraordinary loss" in the current fiscal year due to its decreased materiality. The amount of "Provision for contingent losses" in the previous fiscal year was 3,283 million yen.

Business structure improvement expenses," which was included in "Other" under "Extraordinary losses" in the previous fiscal year, is separately presented as an independent account in the current fiscal year due to its increased importance.

(Additional Information)

1. Critical Accounting Estimates and Judgments

In preparing these financial statements, the Company uses judgments, accounting estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. These estimates and assumptions are based on management's best judgment, taking into consideration historical experience, available information, and various factors that are believed to be reasonable at the balance sheet date. However, by their nature, figures based on these estimates and assumptions may differ from actual results.

The impact of the spread of the new coronavirus infection has been reflected in estimates and assumptions (such as the recoverability of deferred tax assets) to the extent deemed reasonable based on information available at the time.

The estimates and assumptions may be affected by the future spread of the infection.

2. Borrowings

In April 2022, the Company borrowed 50,000 million yen from MUFG Bank, Ltd., Mizuho Bank, Ltd., and Sumitomo Mitsui Trust Bank, Limited. under a commitment line agreement dated January 15, 2019. In July 2022, the Company has fully repaid this borrowing.

In addition, in June 2022, the Company entered into a term loan agreement dated June 28, 2022 (Loan amount: USD 200 million, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: Bank of America NA Tokyo Branch) and a term loan agreement dated June 30, 2022 (Loan amount: 20,000 million yen, Borrowing date: June 30, 2022, Repayment date: June 30, 2027, Participating financial institutions: MUFG Bank, Ltd.). The Company has borrowed a total of 47,096 million yen under these agreements dated June 30, 2022.

(Notes to Balance Sheet)

＊1 Assets and Liabilities to affiliated companies

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Short-term monetary claims	99,611 million yen	141,558 million yen
Short-term monetary debts	451,615 million yen	547,615 million yen
Long-term monetary debts	— million yen	76,966 million yen

＊2 Mortgaged assets and mortgaged liabilities

(Mortgaged assets)

	Previous fiscal year (as of December 31, 2021)		Current fiscal year (as of December 31, 2022)	
Building	27,204 million yen	(27,204) million yen	26,946 million yen	(26,946) million yen
Structures	3,577 million yen	(3,577) million yen	3,497 million yen	(3,497) million yen
Machinery and equipment	36,691 million yen	(36,691) million yen	38,912 million yen	(38,912) million yen
Land	16,587 million yen	(16,525) million yen	16,225 million yen	(16,163) million yen
Share of affiliated companies	638,826 million yen	(—) million yen	638,841 million yen	(—) million yen
Total	722,885 million yen	(83,997) million yen	724,420 million yen	(85,517) million yen

(Mortgaged liabilities)

	Previous fiscal year (as of December 31, 2021)		Current fiscal year (as of December 31, 2022)	
Long-term borrowings scheduled to be repaid within one year	120,001 million yen	(120,001) million yen	120,001 million yen	(120,001) million yen
Long-term borrowings	541,041 million yen	(541,041) million yen	459,421 million yen	(459,421) million yen
Total	661,043 million yen	(661,043) million yen	579,422 million yen	(579,422) million yen

(Note) Figures in parentheses of Mortgaged assets and Mortgaged liabilities represent mortgages of the Factory Foundation and its liabilities.

＊3 Contingent liabilities

(Contingent liabilities)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Affiliated companies	16,961 million yen	72,602 million yen
Guarantees for employee mortgages	26 million yen	11 million yen
Total	16,987 million yen	72,613 million yen

(Notes to Statement of Income)

＊1 Volume of business with affiliated companies

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Net sales	375,101 million yen	613,295 million yen
Purchase amount	369,816 million yen	432,397 million yen
Transactions from non-operating activities	1,747 million yen	11,818 million yen

＊2 Selling, general and administrative expenses

Major expense items and amounts

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Employee salaries and benefits	28,512 million yen	26,711 million yen
Depreciation and amortization	3,615 million yen	3,165 million yen
Research and development expenses	99,723 million yen	109,400 million yen
Expenses included in selling expenses	Approx. 10%	Approx. 10%
Expenses included in general and administrative expenses	Approx. 90%	Approx. 90%

＊3 Gain on sales of fixed assets

This is mainly due to the selling off sale of Yamaguchi Factory.

＊4 Business structure improvement expenses

The Company continues to implement various measures such as business and production structure reforms, including personnel rationalization measures, to build a strong earnings base, and the costs incurred as a result of these measures are recorded as business structure improvement expenses.

The breakdown of business structure improvement expenses for the previous and current fiscal years is as follows;

	Previous fiscal year (from January 1, 2021 to December 31, 2021)	Current fiscal year (from January 1, 2022 to December 31, 2022)
Impairment losses and charges related to restructuring of offices	87 million yen	1,002 million yen
Other	6 million yen	7 million yen
Total	93 million yen	1,009 million yen

(Notes to Securities)

Shares of subsidiaries and affiliated companies

Previous fiscal year (as of December 31, 2021)

Shares of subsidiaries or affiliated companies with market quotations are not applicable.

(Note) Shares of subsidiaries and affiliated companies whose fair value is extremely difficult to determine.

(in million yen)

	Previous fiscal year (as of December 31, 2021)
Subsidiary Shares	1,894,855

Principal shares included in investments in subsidiaries and their balance sheet amounts are as follows:

Renesas Electronics America 1,148,461 Million yen

Dialog 638,826 Million yen

Current fiscal year (as of December 31, 2022)

Shares of subsidiaries or affiliated companies other than non-marketable equity securities are not applicable.

(Note) Shares of subsidiaries and affiliates, including non-marketable equity securities.

(in million yen)

	Current fiscal year (as of December 31, 2022)
Subsidiary Shares	1,902,877

Principal shares included in investments in subsidiaries and their balance sheet amounts are as follows:

Renesas Electronics America 1,148,461 Million yen

Dialog 638, 841 Million yen

(Notes to Tax Effect Accounting)

1. Significant components of deferred tax assets and liabilities

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Deferred tax assets		
Loss on valuation of stocks of affiliated companies	29,043 million yen	29,043 million yen
Accrued bonuses	4,525 million yen	4,625 million yen
Excess depreciation	5,061 million yen	4,416 million yen
Provision for stock-based compensation	2,220 million yen	4,376 million yen
Accrued enterprise taxes	1,349 million yen	3,946 million yen
Excess accrued retirement benefits	3,990 million yen	3,657 million yen
Inventory write-down	2,052 million yen	2,719 million yen
Stock Acquisition rights	3,938 million yen	2,251 million yen
Net operating loss	7,752 million yen	—
Others	5,088 million yen	5,796 million yen
Subtotal of deferred tax asset	65,019 million yen	60,829 million yen
Valuation provision for net operating loss carryforwards for tax purposes	—	—
Total amount of tax loss carryforwards Valuation provision for tax loss carryforwards	(40,781) million yen	(32,687) million yen
Subtotal of valuation provision	(40,781) million yen	(32,687) million yen
Total deferred tax assets	24,238 million yen	28,142 million yen
Offset against deferred tax liabilities	(6,917) million yen	(7,987) Million yen
Net deferred tax assets	17,321 million yen	20,155 million yen
Deferred tax liabilities		
Net unrealized gains (losses) on assets received in merger	(3,566) million yen	(3,562) million yen
Prepaid pension cost	(3,222) million yen	(4,145) million yen
Others	(129) million yen	(280) million yen
Total deferred tax liabilities	(6,917) million yen	(7,987) million yen
Offset against deferred tax assets	6,917 million yen	7,987 million yen
Net deferred tax liabilities	—	—

2. Reconciliation between the statutory tax rate and the effective income tax rate after the application of tax effect accounting

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Statutory effective tax rate	30.6%	30.6%
(Adjustment)		
Change in valuation Provision	(18.2)%	(3.3)%
Non-deductible expenses	0.8%	0.3%
Non-deductible income	(0.4)%	(0.1)%
Tax deductions	(3.2)%	(4.0)%
Combined income of specified foreign subsidiaries, etc.	1.1%	2.2%
Other adjustments not applicable to temporary differences	(0.6)%	0.6%
Effective income tax rate after application of tax effect accounting	10.3%	26.3%

(Note to Business Combinations)

On October 17, 2022, the Company made an acquisition of the entire issued share capital of Steradian, a semiconductor company headquartered in Bengaluru, India. Following the completion of the acquisition, Steradian has become a wholly-owned subsidiary of the Company.

For details, please refer to “Note 7. Business Combinations” in the “V. Accounting Status, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statements”.

(Note to Revenue Recognition)

Basic information for understanding revenue

For details, please refer to “(Significant accounting policies) Note 5. Basis for recognition of revenues and expenses”.

(Subsequent Events)

Acquisition of and Tender Offer for Treasury Shares

The Company has resolved at the Meeting of Board of Directors dated February 9, 2023, to authorize an acquisition of its own shares pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, as applied by replacing certain terms pursuant to the provisions of Article 165, Paragraph 3 of the Companies Act and the provisions of its Articles of Incorporation and conduct a tender offer to acquire treasury shares. The tender offer was concluded on March 10, 2023.

For details, please refer to “Note 39. Subsequent Events” in the “V. Accounting Status, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statement”.

(iv) Annexed detailed schedule

Schedule of Tangible Fixed Assets

(In millions of yen)

Division	Type of assets	Balance at January 1, 2022	Increase during the current period	Decrease during the current period	Amortization during the current period	Balance at December 31, 2022	Total accumulated depreciation
Property, plant and equipment	Building	138,686	2,564	971	2,984	140,279	108,850
	Structures	19,430	156	29	273	19,557	15,780
	Machinery and equipment	491,140	22,451	65,264	19,029 (1)	448,328	405,104
	Vehicles	4,919	17	—	120	4,936	4,717
	Tools, furniture and fixtures	112,391	11,019	4,868	7,903 (42)	118,542	102,553
	Land	19,340	1	376 (314)	—	18,966	—
	Construction in progress	7,538	34,023	36,408	—	5,153	—
	Total	793,444	70,232	107,916 (314)	30,310 (43)	755,760	637,002
Intangible assets	Software	65,496	2,670	1,466	4,082	66,700	59,757
	Other intangible assets	22,309	—	1,264	367	21,045	20,179
	Total	87,805	2,670	2,730	4,450	87,746	79,937

(Note) 1. The figures in parentheses in the “Balance at January 1, 2022” and “Balance at December 31, 2022” are based on acquisition cost.

2. The figures in parentheses in the “Decrease during the current period“ and “Increase during the current period” represent the amount of impairment loss recorded.

3. The figures in parentheses in the “Total accumulated depreciation” includes accumulated impairment loss.

4. Major components of decrease during the current period are as follows:

(In millions of yen)

Machinery and equipment	Amount of decrease	Yamaguchi Factory	59,335

Schedule of allowances and provision

Division	Balance at January 1, 2022 (Million yen)	Increase during the current period (Million yen)	Decrease during the current period (Million yen)	Balance at December 31, 2022 (Million yen)
Allowance for doubtful accounts	0	—	—	0
Provision for product warranties	64	86	64	86
Provision for sales rebates	21,453	—	21,453	—
Provision for business restructuring	20	0	18	2
Provision for contingent losses	2,932	165	2,000	1,098
Provision for share-based payments	14,459	13,914	12,877	15,495

(2) Major assets and liabilities

Since consolidated financial statements are prepared, the description is omitted.

(3) Others

Not applicable.

VI. Summary of Handling Procedures for Shares of the Filing Company

Business Year	From January 1 to December 31
Ordinary General Meeting of Shareholders	The Company holds the meeting within 3 months after the day immediately following each fiscal year-end
Record Date	December 31
Record date for dividends from surplus	June 30 December 31
Number of shares constituting one unit of shares	100 shares
Purchase of shares constituting less than one unit	
Handling location	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited, Stock Transfer Agency Business Planning Department
Transfer agent	4-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo Sumitomo Mitsui Trust Bank, Limited
Brokerage office	Sumitomo Mitsui Trust Bank, Limited Head Office and branches nationwide
Commission for purchase	A separately specified amount as the commission for the entrustment of the share trade
Posting of Public Notices	The method of giving public notices of the Company is electronic public notices; provided, however, that in cases where an electronic public notice is impracticable due to an accident or other unavoidable reason, the Company will give its public notice in the Nihon Keizai Shimbun. Electronic public notices can be found on the Company's website, at the following address: https://www.renesas.com/jp/ja/about/investor-relations
Benefits to shareholders	Not applicable

(Note) Pursuant to the provisions of the Articles of Incorporation of the Company, holders of shares constituting less than one unit have no rights other than the rights listed in each item of Paragraph 2 of Article 189 of the Companies Act, the right to make requests pursuant to the provisions of Paragraph 1 of Article 166 of the Companies Act, the right to receive allotment of offered shares and allotment of offered stock acquisition rights in proportion to the number of shares held by such shareholders, and the right to request the Company to sell to the holder such number of shares as may, together with the number of the shares constituting less than one unit, constitute the number of shares constituting one unit.

VII. Reference Information of the Filing Company

1. Information of Parent Company of the Filing Company

The Company has no parent company, etc., stipulated in Paragraph 1 of Article 24-7 of the Financial Instruments and Exchange Act.

2. Other Reference Information

The Company has filed the following documents between the beginning of the current fiscal year and the filing date of this Annual Securities Report.

(1) Annual Securities Report and its Attachments and the Confirmation
Fiscal year (20th Fiscal Year) (from January 1, 2021 to December 31, 2021) Filed with the Director-General of the Kanto Local Finance Bureau on March 30, 2022
(2) Internal Control Report and its Attachments
Filed with the Director-General of the Kanto Local Finance Bureau on March 30, 2022
(3) Quarterly Report and Confirmation
(First Quarter of the 21th Fiscal Year) (from January 1, 2022 to March 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on May 12, 2022
(Second Quarter of the 21th Fiscal Year) (From April 1, 2022 to June 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2022
(Third Quarter of the 21th Fiscal Year) (from July 1, 2022 to September 30, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on November 4, 2022
(4) Extraordinary Report
Filed with the Director-General of the Kanto Local Finance Bureau on April 7, 2022
Extraordinary Report under Article 19, Paragraph 2, Item 9-2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on April 14, 2022
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on May 17, 2022
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on July 15, 2022
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on August 10, 2022
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on October 14, 2022
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on December 16, 2022
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on January 16, 2023
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item 1 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on February 9, 2023
Extraordinary Report under Article 19, Paragraph 1, Article 19, Paragraph 2, Item 1, and Article 19, Paragraph 2, Item 2 of the Cabinet Office Order on Disclosure of Corporate Affairs
(5) Securities Registration Statement
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on April 14, 2022
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on November 14, 2022
(6) Amendment to Securities Registration Statement
Filed with the Director-General of the Kanto Local Finance Bureau on April 27, 2022
Above (5) amendment to Securities Registration Statement on April 14, 2022
(7) Report on Status of Purchase of Own Shares
Filed with the Director-General of the Kanto Local Finance Bureau on May 13, 2022, June 15, 2022, July 13, 2022 and March 9, 2023

Part II. Information on Guarantor of the Filing Company

Not applicable.