

Annual Securities Report (Excerpt)

**(The English translation of the “Yukashoken-Houkokusho” (Excerpt)
for the year ended December 31, 2023)**

Renesas Electronics Corporation

This document is a translation of part of the Japanese original, except for the audit report. The Japanese original has been disclosed in Japan in accordance with Japanese accounting standards and the Financial Instruments and Exchange Act of Japan. This document does not contain or constitute any guarantee and the Company will not compensate any losses and/or damage stemming from actions taken based on this document. In the case that there is any discrepancy between the Japanese original and this document, the Japanese original shall prevail.

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【Applicable Law】	Article 24, Paragraph 1 of the Financial Instruments and Exchange Act of Japan
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【Fiscal Year】	22nd Fiscal Year (from January 1, 2023 to December 31, 2023)
【Company Name】	Renesas Electronics Kabushiki-kaisha
【Company Name (English) 】	Renesas Electronics Corporation
【Title and Name of Representative】	Hidetoshi Shibata, Representative Executive Officer, President and CEO
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【Contact Person】	Yukitake Hashiguchi, Director, Corporate Governance Department
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【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

Fiscal Year	18th fiscal year	19th fiscal year	20th fiscal year	21st fiscal year	22nd fiscal year
Year-end	2019 Dec.	2020 Dec.	2021 Dec.	2022 Dec.	2023 Dec.
Revenue (Million yen)	718,243	715,673	993,908	1,500,853	1,469,415
Income (loss) before income taxes (Million yen)	(325)	65,216	142,718	362,282	422,173
Income (loss) attributable to owners of parent (Million yen)	(6,317)	45,626	119,536	256,615	337,086
Comprehensive income attributable to owners of parent (Million yen)	(22,108)	(19,239)	284,721	565,558	494,513
Equity attributable to owners of parent (Million yen)	621,455	616,701	1,150,081	1,533,735	2,001,553
Total assets (Million yen)	1,668,148	1,608,985	2,426,301	2,812,491	3,167,003
Equity per share attributable to owners of parent (Yen)	363.37	356.08	591.67	853.51	1,126.31
Basic income (loss) per share (Yen)	(3.73)	26.54	64.77	137.66	189.77
Diluted income (loss) per share (Yen)	(3.73)	25.97	63.35	134.84	186.07
Ratio of equity attributable to owners of parent (%)	37.3	38.3	47.4	54.5	63.2
Return on equity attributable to owners of parent (%)	(1.0)	7.4	13.5	19.1	19.1
Price-earnings ratio (Times)	—	40.7	22.0	8.6	13.4
Cash flow from operating activities (Million yen)	201,960	223,889	307,384	479,325	496,627
Cash flow from investing activities (Million yen)	(742,162)	(40,163)	(663,126)	(97,523)	(267,492)
Cash flow from financing activities (Million yen)	500,466	(104,470)	340,915	(294,770)	(181,247)
Balance at term end of Cash and cash equivalents (Million yen)	146,468	219,786	221,924	336,068	434,681
Number of employees (Persons)	18,958	18,753	20,962	21,017	21,204

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

- 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.
- Diluted loss per share for the 18th fiscal year is the same as basic loss per share because there are no dilutive potential common shares outstanding.
- During the 18th fiscal year, warrants issued by the Company were not dilutive and thus were not included in the calculation of diluted loss per share.
- The accounting policy was changed in the 19th fiscal year, and the consolidated financial statements for the 18th fiscal year reflect the revision of the classification of expenses.
- In the 21st fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the consolidated financial statements for the 20th fiscal year reflect a significant revision of the allocation of acquisition costs.
- In the 22nd fiscal year, the Company finalized the provisional accounting treatment for the business combination, and the consolidated financial statements for the 21st fiscal year reflect a significant revision of the allocation of acquisition costs.

(2) Non-consolidated Business Performance Indicators

Fiscal Year		18th fiscal year	19th fiscal year	20th fiscal year	21st fiscal year	22nd fiscal year
Year-end		2019 Dec.	2020 Dec.	2021 Dec.	2022 Dec.	2023 Dec.
Net sales	(Million yen)	554,313	563,908	771,277	1,075,144	1,065,819
Ordinary income	(Million yen)	16,349	52,843	129,862	279,485	297,041
Net income	(Million yen)	17,029	47,458	113,928	212,647	251,871
Share capital	(Million yen)	22,213	28,971	147,133	153,209	153,209
Number of issued shares	(Thousand shares)	1,710,277	1,731,899	1,943,806	1,958,454	1,958,454
Net assets	(Million yen)	505,219	566,100	913,301	940,437	1,155,868
Total assets	(Million yen)	1,614,467	1,628,721	2,385,940	2,553,295	2,575,156
Net assets per share	(Yen)	286.02	317.65	463.03	498.75	648.97
Dividends per share (Interim dividends per share)	(Yen) (Yen)	— (—)	— (—)	— (—)	— (—)	28.00 (—)
Net income per share	(Yen)	10.05	27.60	61.73	114.07	141.80
Diluted net income per share	(Yen)	9.90	27.01	60.38	111.73	139.03
Equity ratio	(%)	30.3	33.8	37.7	36.5	44.8
Return on equity	(%)	3.7	9.1	15.7	23.2	24.2
Price-earnings ratio	(Times)	74.6	39.1	23.1	10.4	18.0
Dividend payout ratio	(%)	—	—	—	—	19.7
Number of employees	(Persons)	6,252	6,162	6,116	6,133	6,296
Total shareholder return	(%)	150.0	215.8	284.6	236.7	515.4
(Comparison index : TOPIX including dividends)	(%)	(118.1)	(126.8)	(143.0)	(139.5)	(178.9)
Highest stock price	(Yen)	793	1,112	1,577	1,561	2,900
Lowest stock price	(Yen)	450	317	1,042	1,145	1,166

- (Note) 1. The dividend payout ratios for the 18th, 19th, 20th and 21st fiscal years 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 year, and the financial statements for the 18th fiscal year reflect the revision of the classification of expenses.
4. The highest and lowest share prices are those recorded on the Tokyo Stock Exchange (Prime Market) from April 4, 2022 and on the Tokyo Stock Exchange (First Section) before that date.

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	<p>Merged Renesas Electronics Sales Co., Ltd. into the Company through a simple merger method.</p> <p>Renesas Micro System Co., Ltd. merged with Renesas Design Corp. and changed its name to Renesas System Design Co., Ltd.</p> <p>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.</p> <p>Renesas Northern Japan Semiconductor, Inc. merged with Renesas Eastern Japan Semiconductor, Inc.</p> <p>Transferred all shares of Renesas Mobile Europe and Renesas Mobile India to Broadcom Corporation.</p>
Nov. 2013	<p>Transferred the Company's equities in Shougang NEC Electronics to Shougang Group Corp.</p>
Feb. 2014	<p>Established Renesas Electronics India as a sales base in India.</p>
Mar. 2014	<p>Transferred front-end production lines (Tsuruoka Plant) of Renesas Yamagata Semiconductor Co., Ltd. to Sony Semiconductor Corporation.</p>
Apr. 2014	<p>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.</p> <p>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.</p>
Oct. 2014	<p>Merged Renesas Mobile Corporation through a simple merger method.</p> <p>Transferred all shares of Renesas SP Driver Inc. held by the Company to a European subsidiary of U.S.-based Synaptics Incorporated.</p>
Apr. 2015	<p>Transferred the Company's device solution development function to Renesas Solutions Corp. through a simple absorption-type company split.</p> <p>Transferred the development support function of the Company to Renesas Engineering Service Co., Ltd. through a simple absorption-type company split.</p> <p>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.</p> <p>Renesas Solutions Corp. merged with Renesas System Design Co., Ltd. and changed its name to Renesas System Design Co., Ltd.</p>
Feb. 2016	<p>Transferred part of the Shiga Plant of Renesas Semiconductor Manufacturing Co., Ltd. (8-inch wafer production line) to ROHM Shiga Co., Ltd.</p>
Jun. 2016	<p>Renesas Electronics Singapore as a surviving company merged with Renesas Semiconductor Singapore.</p>
Feb. 2017	<p>Acquired all shares of U.S.-based Intersil Corporation ("Intersil") and turned it into a subsidiary of the Company.</p>
May. 2017	<p>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.</p>
Jul. 2017	<p>Merged Renesas System Design Co., Ltd. through a simple merger.</p>
Jan. 2018	<p>Intersil as a surviving company merged with Renesas Electronics America and changed its name to Renesas Electronics America.</p>

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.
Jun. 2023	Acquired all shares of Panthronics AG ("Panthronics") in Austria and turned it into a subsidiary of the Group.

(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, 2023, the Group consisted of the Company and 95 subsidiaries (5 domestic and 90 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 product categories "Industrial", "Infrastructure" and "IoT" which support the smart society. In this segment, the Group mainly provides microcontrollers, SoCs and analog semiconductors.

In addition, the contract development and production of semiconductors carried out by design and manufacturing subsidiaries of the Company are classified as "Other."

Consolidated subsidiaries of the Group (95 companies) by major business are as follows.

As of December 31, 2023

Name of related reportable segments	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) 3 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 38 other companies

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

4. Status of Affiliated Companies

As of December 31, 2023

Name	Address	Share capital or investments (Million yen, or currency noted)	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	China Beijing	Thousand 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	Thousand 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	Thousand 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	Thousand 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	Thousand 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	Thousand 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	Thousand Indian Rupees 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	Thousand US dollars 2,952,870	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	Thousand 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 (Germany) (Note 2) (Note 4)	Germany Dusseldorf	Thousand 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
Renesas Semiconductor Beijing	China Beijing	Thousand 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

Name	Address	Share capital or investments (Million yen, or currency noted)	Major Business	Voting rights holding/held ratio (%) (Note 1)	Relationship
Renesas Semiconductor (Suzhou) (Note 2)	China Suzhou	Thousand 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	China Beijing	Thousand 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	Thousand 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	Thousand US dollars 91,585	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None
Renesas Design Bulgaria	Bulgaria Varna	Thousand 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	Thousand 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	Thousand 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	Thousand 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
Renesas Electronics Germany (Note 2)	Germany Dresden	Thousand 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	Thousand US dollars 462,119	Holding company	100.0 (100.0) (Note 3)	Loans - None Real estate/equipment leasing - None Interlocking directorates - None

Name	Address	Share capital or investments (Million yen, or currency noted)	Major Business	Voting rights holding/held ratio (%) (Note 1)	Relationship
Gig Peak (Note 2)	United States Delaware	Thousands 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 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
61 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	162,689 million yen
Major Profit and Loss Information	(2) Ordinary income	6,457 million yen
	(3) Net Income	5,495 million yen
	(4) Net assets	27,756 million yen
	(5) Total assets	77,733 million yen

Renesas Electronics America	(1) Net sales	376,927 million yen
Major Profit and Loss Information	(2) Ordinary income	36,064 million yen
	(3) Net income	26,038 million yen
	(4) Net assets	825,222 million yen
	(5) Total assets	942,412 million yen

Figures for Renesas Electronics America are consolidated financial results, including its subsidiaries (29 companies).

Renesas Electronics Europe (Germany)	(1) Net sales	206,869 million yen
Major Profit and Loss Information	(2) Ordinary income	4,167 million yen
	(3) Net Income	2,392 million yen
	(4) Net assets	19,647 million yen
	(5) Total assets	94,294 million yen

Dialog	(1) Net sales	162,610 million yen
Major Profit and Loss Information	(2) Ordinary income	23,225 million yen
	(3) Net income	18,761 million yen
	(4) Net assets	188,980 million yen
	(5) Total assets	234,791 million yen

Figures for Dialog are consolidated financial results, including its subsidiaries (30 companies).

5. Status of Employees

(1) Consolidated Basis

The Group had 21,204 employees as of December 31, 2023.

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, 2023			
Number of employees (Persons)	Average age (Years old)	Average length of service (Years)	Average annual salary (Yen)
6,296	48.2	23.2	8,892,470

(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, 2023, 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, 2023 was 3,712. There is nothing particular to report relating to matters with the labor union.

(4) Percentage of Female Employees in Managerial Positions, Percentage of Male Employees Taking Childcare Leave, and Wage Differences between Male and Female Employees

(i) Filing Company and its domestic consolidated subsidiaries

Company name	Percentage of female employees in managerial positions (%) (Note 1)	Percentage of male employees taking childcare leave (%) (Note 2)	Wage differences between male and female employees Ratio of female wages to male wages (%) (Note 1)		
			All employees	Full-time employees	Part-time or fixed-term employees
Renesas Electronics Corporation	3.9	29.9	72.4	71.7	73.1
Renesas Semiconductor Manufacturing Co., Ltd.	2.2	22.2	83.0	81.5	81.5
Renesas Engineering Services Co., Ltd.	7.8	—	83.3	82.5	84.6

(Note) 1. This figure is calculated based on the provisions of the Act on the Promotion of Women's Active Engagement in Professional Life.

2. This figure shows the percentage of childcare leave etc. taken under on Article 71-4 (1) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members, calculated in accordance with the provisions of the said Act.

3. "—" indicates that there are no eligible employees.

4. The wage difference between male and female employees is the ratio of the average wage of female employees to the average wage of male employees for each category covered. Wages include base salary, overtime salary and incentives such as bonuses. At a basic level, the wage system is the same for males and females, and the differences that currently exist are due to differences in labor structure and other factors.

(ii) Overseas consolidated subsidiaries

Current fiscal year
Percentage of female employees in managerial positions (%)
15.5

(Note) Employees who are the immediate supervisors of employees of the filing Company are included in managerial position. The definitions and calculation methods of the relevant indicators differ from those of the Act on the Promotion of Women's Active Engagement in Professional Life.

II. Business Conditions

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

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

The Group's sales in this fiscal year slightly decreased compared to the previous fiscal year. Demand softened for semiconductors for Industrial, Infrastructure, and IoT applications due to sluggish demand for PCs and mobile phones and demand for industrial equipment slowing down in the second half of the current fiscal year, while demand for semiconductors for automotive applications had remained strong since the previous fiscal year. On the other hand, Design-in, which will be a source of future revenue for the Group, exceeded the target for the current fiscal year by 14% and increased by 38% year-on-year.

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

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, power semiconductors for xEV such as IGBT (Insulated Gate Bipolar Transistor) and SiC, 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, regarding past acquisitions of the companies formerly known as Intersil and IDT, as well as Dialog, the Group has actively pursued maximization of synergies, including Winning Combinations. During the current fiscal year, we increased the percentage of Winning Combinations to about 50% of total Design-ins. Going forward, we will continue to strengthen these efforts. Following the acquisitions of Celeno, Reality AI, and Steradian in the previous fiscal year, we acquired Pantronics, which has strengths in semiconductors for NFC, and announced the acquisition of Sequans, which provides semiconductors for cellular IoT such as 4G/5G, in the current fiscal year.

Going forward, in order to respond quickly to the rapidly changing semiconductor market, the Group will continue to add to and update the list of acquisition candidates to acquire products, technologies, and solutions that the Group does not currently own.

In terms of costs, we implemented various cost reduction measures to realize cost synergies from the acquisition of Dialog and achieved the targets of those measures. However, transportation costs have remained high due to soaring raw material and energy prices, including crude oil prices, resulting from rising geopolitical risks, as well as rising labor costs, despite the alleviation of the elevated transportation costs previously experienced due to logistics disruptions triggered by the spread of Covid-19. The Group will continue to reduce costs by streamlining logistics flows, including the implementation of consolidated transportation. In addition, the Group will continue our efforts to stabilize the supply chain by promoting multi-sourcing of raw materials and long-term supply contracts and will continue to contain costs through changes in parts and materials and by switching to less expensive suppliers. Also, under the new organizational structure established in January 2024, we will push forward with a review of cost items, including R&D expenses, with the aim of improving investment and cost efficiency. Furthermore, to improve the efficiency of operations and IT systems, the Group has made strategic investments toward the integration of our core ERP IT systems. We believe this will make a significant contribution to the Group's business over the medium to long term.

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

In terms of production, the utilization rate of the Group's front-end production factories during the current fiscal year was 43% for the 150mm wafer production line, 71% for the 200mm wafer production line, and 50% for the 300mm wafer production line, an average of 62% for all factories.

The Group will keep striving to enhance the production facilities at our factories in order to ensure a stable supply. In the current fiscal year, we made capital investments in the Kofu and Takasaki Factories to meet the demand for power semiconductors, which is expected to grow going forward, and in the Naka and Kawashiri Factories to increase the supply capacity of microcontrollers. We will continue to make capital investments to ensure a stable supply of the Group's products. In addition to these capital investments, we will continue to build die banks to be able to respond to sudden demand fluctuations and to enhance our resilience.

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

As a result of these proactive investments, the Group's capital investment for the current fiscal year was about 6% of revenue. We aim to restrict the ratio to approximately 5% of revenue in the mid- to long-term.

(2) Response to Geopolitical Issues

With the prolonged US-China trade friction and the worsening situation in the Middle East, global geopolitical risks are increasing. The supply chain disruptions triggered by these risks will continue to develop and are difficult to resolve in the near future. The disruption has been causing accelerations in export restrictions on certain companies and products as well as the trend of local production for local consumption in China, particularly for mature node products (semiconductor products manufactured using processes of 40 nanometers or more), which is beginning to have a significant impact on the Group's business segment, the semiconductor market, and business opportunities in the market. In order to respond to the disruption of each supply chain, particularly those in the United States and China, the Group is promoting the decentralization of design and manufacturing sites and the optimization of resources.

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

(3) Maximization of User Experience Value

With our purpose of "To Make Our Lives Easier", the Group has promoted improvement of user experience (UX) to make our customers' product and service development activities easier. To realize this, the Group has implemented

various initiatives to enable customers to proceed with product and service development as simply and speedily as possible.

For example, during the current fiscal year, we announced “Quick Connect Studio”, which helps the Group’s customers graphically build hardware and software on a cloud-based design platform without having to physically obtain an evaluation board. This allows customers to quickly design and verify prototype models that combine microcontrollers with various sensors and connectivity functions, and easily start development. In addition, we launched “AI Workbench,” which enables performance evaluation and operation verification of in-vehicle AI software in a cloud environment using Microsoft’s cloud service Microsoft Azure, contributing to the realization of “Shift Left” which allows customers to verify the specifications and performance from the early stages of vehicle development without hardware.

In February 2024, we entered into an agreement to acquire Altium Limited, a U.S.-headquartered company with an established reputation for printed circuit board (PCB) design platforms. Customers designing PCBs sometimes need to dedicate huge resources in selecting hundreds of components and managing their bills of materials. With this in mind, in June 2023 we announced our decision to consolidate the design library of the Group’s products into a platform provided by our existing business partner Altium, as an initiative to both enable customers to select components more easily and to bolster the Group’s digitalization strategy. Our decision to acquire Altium promotes this initiative even further. The acquisition enables Renesas and Altium to join forces and combine the Group’s embedded semiconductor solutions with Altium’s superior technologies, building an electronics system design and lifecycle management platform that centrally executes and manages designs across devices and systems in a cloud environment. The platform will enable our customers to design complex and sophisticated electronic devices and systems in a centralized system, significantly reducing development resources required, increasing efficiency, and accelerating innovation.

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

(4) Supply Chain Optimization

The Group’s supply chain faces challenges 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). We have achieved a certain level of success with respect to products manufactured within the Group; we have gradually begun to expand our die bank for products for which we outsource production, and we expect to secure sufficient volume by the end of the first half of FY2024. We will continue to aim for appropriate die bank development while carefully monitoring market trends.

(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

Personnel composition of each of the business areas of the Group as of the end of the current fiscal year was as follows: 44% in Japan, 10% in North America, 12% in Europe, and 34% in Asia Pacific.

The Group will, from a mid- 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 over the entire Group making use of M&A when necessary.

(7) Improvement of 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, and has since been working towards instilling it into the Group.

During the current fiscal year, the Group took various measures to accelerate the penetration of this Renesas Culture. Going forward, the Group will further enhance 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. Sustainability Policy and Initiatives

Our philosophy and initiatives regarding sustainability are as follows. The statements regarding the future in the following paragraphs are based on the Company's evaluation as of the end of the current fiscal year.

(1) Climate Change

(i) Governance

The Company recognizes various opportunities and risks brought by climate change as important factors in business strategy. Therefore, our CEO is responsible for all company-wide initiatives on sustainability. Policies and important factors related to climate change, as well as risks and opportunities, are regularly discussed and reviewed by the CEO, an Executive Corporate Officer appointed by the CEO, and the Sustainability Promotion Office, and are reported to the Board of Directors. In addition, under the CEO's supervision, a corporate officer responsible for managing the Group's environmental activities assesses, plans and establishes a management system on a global basis.

(ii) Risk Management

The Group has established a company-wide risk management system based on our "Global Rule for Risk and Crisis Management within the Renesas Group." We regularly update our risk management system to address possible risks, including climate-related risks, and assign appropriate departments-in-charge based on the type of risk. This allows us to ensure effective day-to-day risk management. We also identify risks in advance by assessing their realistic representation on our Risk Map. At the same time, we formulate contingency measures, systems, and response policies to prevent and address those identified risks. In the event of a company-wide emergency, we will form an Emergency Response Headquarters led by the CEO, to gather information and propose and implement measures to minimize losses.

(iii) Strategy

Climate change is a critical issue for the Group. To understand how climate-related risks and opportunities impact the Group's business, strategy and financial planning, as well as to devise countermeasures, we conducted a scenario-based analysis.

Based on our scenario analysis, we identified major risks and opportunities, and their countermeasures for the Group as follows.

(a) Risks

- The introduction of carbon pricing in countries where we operate poses various risks such as increased costs to meet regulatory requirements, higher expenses for highly carbon-intensive raw materials, and production consignment fees.
- There is a risk of lost sales opportunities or decreased sales if there are delays in the development of energy-efficient products, or if we cannot fully meet customers' demands for decarbonization in certain markets or products.
- Increase in abnormal weather may affect manufacturing bases and distribution networks, leading to a decrease in sales and the risk of incurring recovery costs.

(b) Opportunities

- Opportunities for a significant increase in demand for our products and solutions that address decarbonization and low carbonization. Especially in the automotive business, the demand for related products is expected to grow as the EV market expands. In the industrial business, the demand for low-carbon and decarbonized technologies such as wind power and factory automation is expected to grow.
- Opportunity to capture new markets by responding to changes in customer preferences and interests associated with climate change.

(c) Countermeasures

- Respond to the risk of increasing carbon taxes by steadily implementing measures to achieve GHG emission reduction targets, establishing suppliers' GHG emissions, and promoting reduction measures.
- Enable timely market introduction by accelerating development through early identification of changes in energy-saving standards in each country and by introducing development methods that support flexible function changes.
- Proactively disclose environmental information that promotes and accelerates environmental activities and communication in response to decarbonization efforts demanded by customers and investors.
- Accelerate the development of highly energy-efficient products, such as expanding product offerings and solutions, and acquiring next-generation technologies that realize high speed, advanced functionality, and high efficiency.
- Continue to invest in research and development to respond to new market expansion opportunities due to business diversification, changes in consumer preferences, etc.

For details on the assumptions and countermeasures to the scenario-based analysis, please refer to our sustainability site/Response to TCFD Proposals (<https://www.renesas.com/us/en/about/company/sustainability/tcfd>).

(iv) KPIs and Goals

Our GHG reduction goals are as follows. This target has been certified by the Science Based Targets initiative (SBTi).

• GHG emission (Scope1, Scope2) reduction target: 38% decrease in 2030 (vs. 2021)
• GHG emission (Scope1, Scope2) Carbon Neutral: 2050

The Group plans to achieve our goals by reducing the emission of PFC gas - a greenhouse gas that heavily impacts the environment - and meeting the domestic electrical and electronics industry targets in Japan and the energy intensity reduction target in accordance with the Energy Conservation Law. These initiatives also include expanding the use of renewable energy at our manufacturing sites which consume significant amounts of energy.

Regarding Scope 3, we have also set a new target for reducing GHG emissions by 2026 by suppliers (including outsourced manufacturing companies) which account for 70% of GHG emissions in Category 1 of Scope 3. We will strive to meet those targets and reduce GHG emissions throughout the supply chain.

For more details, please refer to our sustainability site / Environmental Activities / Environmental Protection Goals (<https://www.renesas.com/us/en/about/company/sustainability/protection-goals>) and Environmental Activities / Climate Change Initiatives (<https://www.renesas.com/us/en/about/company/sustainability/climate-change>)

(2) Human Capital and Diversity Initiatives

(i) Strategy

The Company is strengthening its human resources systems and talent development programs to empower each employee to recognize their diverse values and strengths, while maximizing individual abilities and skills. The Company develops and implements various systems and measures to build a framework that enables employees to work across regions and organizations. In addition, we are actively working to create a workplace and a corporate culture that respects all forms of diversity and value and encourages inclusion. One of our strengths as a global company is our diverse workforce and values, spanning over 20 countries and encompassing a variety of nationalities, races, beliefs, cultures, languages, genders, and ages. We believe that our respect for diversity, equity, and inclusion, as well as our initiatives, will be the foundation for innovative products and services, and sustainable business growth. We foster an environment where our diverse workforce, with its unique individuals and values, can fully maximize its potential, while advancing our talent development programs.

(a) Promotion of Renesas Culture

The Company has established "Renesas Culture" as the guiding principles for all employees of the Group. It encourages employees to quickly and flexibly transform themselves and contribute value to society globally, even in rapidly changing business environments. As part of our efforts to promote Renesas Culture throughout the Group and to strengthen our initiatives, we conduct a survey of all employees once a year. Conducting regular surveys allows us to monitor measurable progress, identify areas for improvement, and develop specific action plans under the direct leadership of our CEO.

(b) Cultivation of Global Leaders

Ensuring continuous development of leadership is important for the growth, sustainability, and stability of the company. These individuals hold significant influence within the organization and directly impact its outcomes. The Company aims to create an environment where successors are regularly formed for each position through both succession planning for key positions (creation of succession plans for each position) and leadership personnel development (further expansion of employee career building).

(c) Mechanism for Employees to Learn Proactively

The Company has introduced a global system for employees to learn independently, including an online learning platform that allows employees to select from more than 17,000 courses. The Company encourages employees to grow autonomously, improve their skills and abilities, and realize their career goals. In Japan, the "Self-Development Support Program," which allows employees to choose from more than 100 courses to improve their skills in, as well as field-specific specialized technical courses and language learning programs. The Company provides educational opportunities for all employees to cultivate their abilities and develop their own career with the awareness of career ownership. In addition, amidst the increasing diversification of working styles and work environments, the Company is systematically working to make various types of education and training available online, which are easy to participate in even for remote employees.

(d) Establishment of a Job Rotation System

Managers use MBO (Management by Objectives) interviews to evaluate their subordinates' skills and career aspirations. Then they organize personnel rotations and career development opportunities tailored to individual aspirations, facilitating personal growth in personnel assignments. In addition, we transfer personnel through an open recruitment system to discover and promote talent and revitalize the organization. Our active rotation system provides each employee with the opportunity to become a career owner for their own growth.

(e) Employee Education and Skill Development Support

With the aim of promoting early autonomy for new employees and skill development and motivation for younger

employees, the Company conducts introductory training, first-year review training, and second-year results debriefing sessions in Japan. Through these programs, employees acquire the basic techniques and skills necessary for their job position and acquire common business execution skills, thereby building a foundation of global talent. For managers, we utilize a variety of online learning platforms and programs to help senior specialists and managers around the world become successful team and project leaders.

We have a talent development program in Japan where younger employees mentor new hires. Additionally, there are mentorship programs available for interns, working students and new hires at some of our overseas group companies. Experienced employees serve as mentors, providing not only work-related advice, but also support for the work environment, networking, and career development. Mentors are given opportunities for personal growth through advice to new employees and interns, leading to improved soft skills such as communication, fact finding, and consensus building, as well as management skills such as staff development and evaluation.

(f) Employee Resource Groups & Diversity Events

The Company has formed a Diversity Promotion Group (DPG) to foster a global culture of inclusivity and respect for diversity, ensuring that everyone can actively participate in creating an inclusive workplace. We are advancing our diversity promotion efforts by emphasizing that all employees are responsible for diversity. Through open dialog, employees are encouraged to understand the diverse views and backgrounds of our global talent pool and accept and respect those differences. We designate every October as “Diversity Promotion Month” and hold various events and awareness-raising activities to encourage employees to learn together, think together and take action. In 2023, the Company held three events on unconscious biases and gender stereotypes in the workplace, as well as wellbeing and mental health both professional and private situations.

(ii) KPIs and Goals

To actively support and diversify the organization and talent, the Company has set mid- and long-term targets for each of the following indicators and is managing them accordingly.

• Percentage of females on the Board of Directors: 30% or more
• Percentage of newly hired female graduates (Japan): 20% or more

For more details, please refer to our sustainability website “Human Resources Management/Human Rights Growth and Engagement.”(<https://www.renesas.com/us/en/about/company/sustainability/engagement>), “Human Resources Management/Diversity, Equity & Inclusion”(<https://www.renesas.com/us/en/about/company/sustainability/diversity>).

(3) Human Rights

(i) Governance and Risk Management

The Company established a human rights promotion system led by the Senior Vice President and CHRO (Chief Human Resources Officer) to advance global initiatives to respect human rights. The team was established within the HR organization in Japan, and identifies human rights risks at the Group, assesses such risks, and identifies priority risks to be addressed with HR members in each country and region.

In addition, the status of compliance with the human rights policy and the progress of initiatives are regularly reported to and supervised by the Board of Directors. In collaboration with the Sustainability Promotion Office, which promotes company-wide sustainability activities under the direct control of the CEO, the team continuously shares the progress of our human rights initiatives with our stakeholders.

We have assigned points of contact to all of our sites in Japan to provide consultation services to all our employees, including temporary employees and suppliers’ employees, to encourage discussions on human rights and harassment issues or concerns. We share the names of consultants and their departments through our company intranet and bulletin boards to make it easy for these employees to contact them by phone or email or have face-to-face meetings.

(ii) Strategies, KPIs and Goals

We conduct a human rights due diligence process every year in accordance with the United Nations’ “Guiding Principles on Business and Human Rights.” With a goal to realize the respect for human rights, we continue to implement this due diligence process, including identifying the potential human rights risks in the Group and our supply chain. This includes examining and implementing corrective measures as well as monitoring and disclosing information.

We have identified human rights risks in our business activities and stakeholders who might be vulnerable to potential risks based on international trend surveys, NGO reports, and advice from human rights experts. The Company has identified the following six key human rights issues to be addressed within the Group and our supply chain.

- (a) Safe and Healthy Working Environment
- (b) Prohibition of Child and Forced Labor (Policy on the Rights of the Child)
- (c) Working Hours
- (d) Responsible Mineral Procurement
- (e) Freedom of Association (Labor Management Relations)
- (f) Human Rights Education

In order to address these critical issues, we take additional steps to identify, prevent and mitigate risks in accordance with the United Nations’ Guiding Principles on Business and Human Rights.

Please refer to the Renesas Sustainability website, Human Capital Management / Human Rights (<https://www.renesas.com/us/en/about/company/sustainability/human-rights>) for more detail.

3. Risk Factors of Business and Others

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 28, 2024.

(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.

(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. 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. 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, it is not certain that the Group will be able to find any suitable potential partner or acquisition target in the future, and even if such suitable partner or acquisition target is found, it may not be possible to reach an agreement on terms acceptable to the Company. Also, even if the Group reaches an agreement with an alliance partner or acquisition target, there is no guarantee that the Group will be able to execute the acquisition because the Group may not be able to raise funds for the acquisition, or it may not be able to obtain shareholder approval of the alliance partner or acquisition target, it may not be able to obtain necessary permits and approvals, or there may be restrictions due to laws and regulations or other reasons. For example, in February 2024, the Company signed an agreement with Altium Limited, the US based software company listed in the Australian Stock Exchange, to acquire all of outstanding shares of Altium Limited and make Altium Limited a wholly-owned subsidiary of the Company (the "Acquisition"). The Acquisition is expected to close in the second half of 2024, subject to any approval by its shareholders, the Australian courts, and any necessary regulatory approvals, as well as the satisfaction of other general closing conditions, but it is uncertain whether these conditions will be met. If all or some of these conditions are not satisfied, the Acquisition may not close, and if it does not close, the expected synergies and benefits will not be realized, and only the costs of the Acquisition will be incurred.

With regard to such alliances and acquisitions, the Group examines the likely return on investment and profitability from a variety of perspectives. 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 when conducting acquisitions. For example, the Company plans to have cash on hand as well as new loans that it plans to procure from its main banks to fund the Acquisition announced in February 2024 (totaling approximately A\$9.1 billion, or approximately 887.9 billion yen at an exchange rate of 97 yen to A\$1). As a result of borrowing from financial institutions and other sources, the Company will incur interest-bearing debt, and if the Company is able to implement such borrowing through long-term debt or switch to long-term funds for the borrowings we have implemented, or if the Company is unable to generate the cash flow we initially anticipated, our financial condition may deteriorate and our credit rating may be lowered, which could also result in increased financing costs and restrictions on our group's ability to raise capital. 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) 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.

(10) 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.

(11) 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.

(12) 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.

(13) 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.

(14) 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.

(15) 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.

(16) 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. In case that the acquisition of Altium Limited is completed, new goodwill and intangible assets are expected to be recorded as a result of the 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.

(17) Information Systems

Information systems are of growing importance in the Group's business activities. Although the Group makes an effort to manage stable operation of information systems, there is a likelihood that customer confidence and social trust would deteriorate, resulting in a negative effect on the Group's performance if there is a significant problem with the Group's information systems caused by factors such as natural disasters, accidents, computer viruses and unauthorized accesses.

(18) 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.

(19) 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 business, 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.

(20) 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.

(21) 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 where 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.

(22) Legal Issues

Details are listed under "Note 37. Commitments and Contingent Liabilities, (5) Others" in "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

The following is 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, 2023).

Forward-looking statements concerning financial position, operating results and cash flow are prepared based on the Group's judgement 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 (hereinafter "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

	(Billion yen)		
	Previous fiscal year end (December 31, 2022)	Current fiscal year end (December 31, 2023)	Increase (Decrease)
Total assets	2,812.5	3,167.0	354.5
Total equity	1,537.5	2,005.6	468.1
Equity attributable to owners of parent	1,533.7	2,001.6	467.9
Equity ratio attributable to owners of parent (%)	54.5	63.2	8.7
Interest-bearing liabilities	770.0	667.7	(102.3)
Debt to equity ratio	0.50	0.33	(0.17)

Total assets at the end of the current fiscal year were 3,167.0 billion yen, a 354.5 billion yen increase from the end of the previous fiscal year. This was mainly due to an increase in goodwill affected by yen depreciation. Total equity was 2,005.6 billion yen, a 468.1 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 an 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 the parent increased by 467.9 billion yen from the end of the previous fiscal year, and the equity ratio attributable to owners of the parent was 63.2%. In addition, interest-bearing liabilities decreased by 102.3 billion yen from the end of the previous fiscal year, mainly due to the repayment of borrowings, despite an increase resulting from revaluation of bonds. Consequently, the Debt to equity ratio was 0.33.

The provisional accounting for the business combination was finalized in the first quarter of the current fiscal year, and the revised allocation of the acquisition costs (PPA) has 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 (hereinafter "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 (hereinafter "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, 2023) (Non-GAAP basis)

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2022)	Current fiscal Year (Jan 1 – Dec 31, 2023)	Increase (Decrease)	
Non-GAAP Revenue	1,502.7	1,469.7	(33.0)	(2.2%)
Automotive	645.0	695.0	50.0	7.8%
Industrial/Infrastructure/IoT	845.9	764.7	(81.2)	(9.6%)
Non-GAAP Gross Profit (%)	863.2 57.4%	837.4 57.0%	(25.7) (0.5pt)	(3.0%) –
Automotive	324.4 50.3%	363.2 52.3%	38.8 2.0pts	12.0% –
Industrial/Infrastructure/IoT	535.3 63.3%	470.8 61.6%	(64.6) (1.7pts)	(12.1%) –
Non-GAAP Operating Margin (%)	559.4 37.2%	501.6 34.1%	(57.7) (3.1pts)	(10.3%) –
Automotive	219.2 34.0%	238.7 34.3%	19.5 0.4pt	8.9% –
Industrial/Infrastructure/IoT	331.8 39.2%	259.0 33.9%	(72.7) (5.3pts)	(21.9%) –
USD Exchange rate (Yen)	130	140	–	–
EUR Exchange rate (Yen)	137	151	–	–

(Note) 1. 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”.

2. 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 1,469.7 billion yen, a 2.2% decrease year on year. This was mainly attributable to the decrease in revenue from the Industrial, Infrastructure, and IoT Businesses due to the softening of demand in markets such as PC/mobile phones and consumer electronics, although revenue from Automotive Business increased due to the effect of yen depreciation.

<Non-GAAP Gross Profit (Margin)>

Non-GAAP gross profits for the current fiscal year were 837.4 billion yen, a 25.7 billion yen (3.0%) decrease year on year. This was due to the decrease in sales revenue from the Industrial, Infrastructure, and IoT Businesses as mentioned above and the resulting deterioration in the product mix. As a result, non-GAAP gross margin for the current fiscal year was 57.0%, a decrease by 0.5 points year on year.

<Non-GAAP Operating Profit (Margin)>

Non-GAAP operating profit for the current fiscal year was 501.6 billion yen, a 57.7 billion yen (10.3%) decrease year on year. This was mainly due to the above-mentioned decrease in gross profit and increase in R&D expenses. As a result, non-GAAP operating margin for the current fiscal year was 34.1%, a decrease by 3.1 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 695.0 billion yen, a 7.8% increase year on year. As mentioned above, this was mainly due to the effect of yen depreciation as well as increased revenue from sales of products for Advanced Driver-Assistance Systems (ADAS) and xEVs.

Non-GAAP gross profit of the Automotive Business for the current fiscal year was 363.2 billion yen, a 38.8 billion yen (12.0%) increase year on year. This was due to an increase in revenue.

Non-GAAP operating profit of the Automotive Business for the current fiscal year was 238.7 billion yen, a 19.5 billion yen (8.9%) increase year on year, due to an increase in revenue.

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 764.7 billion yen, a 9.6% decrease year on year. This was due to a decrease in revenue resulting from the softening of demand in markets such as PC/mobile phones and consumer electronics, as mentioned above, despite the positive effect of yen depreciation.

Non-GAAP gross profit of the Industrial/Infrastructure/IoT Business for the current fiscal year was 470.8 billion yen, a 64.6 billion yen (12.1%) decrease year on year. This was due to a decrease in revenues.

Non-GAAP operating profit of the Industrial/Infrastructure/IoT Business for the current fiscal year was 259 billion yen, a 72.7 billion yen (21.9%) decrease year on year, due to a decrease in gross margin.

The Group announced the "Mid-Term Growth Strategy" and "Financial Model" on February 17, 2020. The Group set 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 optimization of production efficiency, improvements to the product mix and realization of 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 "3. Risk Factors" in the Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows.

(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, 2022)	Current fiscal year (Jan 1 – Dec 31, 2023)
Non-GAAP gross profit	863.2	837.4
Non-GAAP gross margin	57.4%	57.0%
Reconciliations in Revenue Level (Note 1)	(1.8)	(0.3)
Amortization of purchased intangible assets and depreciation of fair value adjustment to property, plant and equipment	(1.0)	(1.0)
Market valuation of inventories	(1.5)	—
Stock-based compensation	(1.5)	(1.5)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(3.2)	(0.3)
IFRS gross profit	854.0	834.3
IFRS gross margin	56.9%	56.8%
Non-GAAP operating profit	559.4	501.6
Non-GAAP operating margin	37.2%	34.1%
Reconciliations in Revenue Level (Note 1)	(1.8)	(0.3)
Amortization of purchased intangible assets and depreciation of fair value adjustment to property, plant and equipment	(106.2)	(105.8)
Market valuation of inventories	(1.5)	—
Stock-based compensation	(18.1)	(23.3)
Other reconciliation items in non-recurring expenses and adjustments (Note 2)	(7.5)	18.5
IFRS operating profit	424.2	390.8
IFRS operating margin	28.3%	26.6%

(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.

(iii) Overview of the financial operation for the current fiscal year (Jan 1 – Dec 31, 2023) (IFRS)

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2022)	Current fiscal year (Jan 1 – Dec 31, 2023)	Increase (Decrease)	
Revenue	1,500.9	1,469.4	(31.4)	(2.1%)
Gross profit (%)	854.0 56.9%	834.3 56.8%	(19.7) (0.1pt)	(2.3%) —
Operating profit (%)	424.2 28.3%	390.8 26.6%	(33.4) (1.7pts)	(7.9%) —

(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 4. Management's Discussion and Analysis of Financial Condition, Results of Operations and Cash Flows."

As there was no external customer to whom sales revenue accounts for more than 10% of the sales revenue in the consolidated income statement, information on major customers has been omitted.

(4) Cash Flows

(Billion yen)

	Previous fiscal year (Jan 1 – Dec 31, 2022)	Current fiscal year (Jan 1 – Dec 31, 2023)
Net cash provided by (used in) operating activities	479.3	496.6
Net cash provided by (used in) investing activities	(97.5)	(267.5)
Free cash flows (Note)	381.8	229.1
Net cash provided by (used in) financing activities	(294.8)	(181.2)
Cash and cash equivalents at the beginning of period	221.9	336.1
Cash and cash equivalents at the end of period	336.1	434.7

(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 496.6 billion yen. This was mainly due to a recording of 422.2 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 267.5 billion yen. This was mainly due to purchase of property, plant, and equipment as well as intangible assets, the loan to Wolfspeed, Inc., and the acquisition of shares in Panthronics.

The foregoing resulted in positive free cash flows of 229.1 billion yen for the current fiscal year.

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

Net cash used in financing activities for the current fiscal year was 181.2 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 US dollar-denominated senior notes due 2024 and 850 million 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 191.1 billion yen.

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 459.9 billion yen. As of the end of the current fiscal year, the Group had 434.7 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 8.0 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 301.2 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 44.4 billion yen to refinance existing loans with med-term borrowings
(iii) Japan Bank for International Cooperation	December 23, 2021	Term loan totaling 66.7 billion yen to refinance existing loans with mid-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 a 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 has traditionally been one of the Company's strengths; 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 our product portfolio to support a broad range of functions, from sensing to accelerator functions, and strengthen our solutions (called "Winning Combinations") which combine 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.

(Note) As of January 1, 2024, the Group changed its organizational structure, and started four product groups based on technical fields.

(2) Main Research and Development Achievements

- (i) Renesas' cybersecurity management systems for automotive microcontrollers and SoCs acquired "ISO/SAE 21434:2021" certification.

The Group obtained certification that we are compliant with an international standard for CSMS (Cyber Security Management System) for automobiles, "ISO/SAE 21434:2021," from TÜV Rheinland, a major European certification institution.

In recent years, there has been growing concern about cyberattacks as automotive systems have become more sophisticated. When an automaker obtains a type approval for a vehicle manufactured and sold by the automaker, the vehicle must be compliant with UNR 155, the cybersecurity regulations established by the United Nations Economic Commission for Europe (UNECE), and compliance with CSMS is necessary for this review. Therefore, by using the Group's products that have obtained CSMS certification, automakers and manufacturers of their parts will be able to reduce their development burden and respond more quickly to cybersecurity needs when obtaining automobile type approval in various countries.

The CSMS In the development process for automotive microcontrollers (RL78 and RH850) and SoCs (R-Car) developed by the Group on or after January 1, 2022, is compliant with the international standard for which we obtained certification.

The Group is engaged in the design and development of products with the priority of safety and security and has established a system to support automakers in complying with the automotive functional safety standard ISO 26262 in the field of safety, in addition to the field of security, for which we have been certified. By using our products in next-generation automotive systems, customers can achieve early compliance with international standards in cybersecurity and functional safety.

By providing state-of-the-art performance, functionality, and security, and a variety of AI implementation solutions, the Group will contribute to methods such as "Shift Left," where customers can verify the specifications, functions, and performance of products from the early stages of development without the need for hardware, and "Software First," where software dictates the value of automobiles.

- (ii) Renesas launched "Quick Connect Studio," which can speed up the design cycle of prototypes by deploying software developed on the cloud to hardware.

The Group has launched Quick Connect Studio, a platform for IoT devices that allows customers to deploy software developed on the cloud to hardware.

This platform is a development environment that allows customers to automatically generate software and verify its operation in hardware by simply selecting the microcontroller platform they want to use on the cloud and graphically mounting the necessary functional blocks such as sensors and communication boards. When a customer develops a product, the process of bringing the product to market is extremely complex and requires significant time and effort. However, with this platform, customers will be able to quickly realize and validate their product ideas without having knowledge of the Group's semiconductors, tools, and development workflows, and will be able to develop hardware and software at the same time, thereby shortening the time required for product development and increasing efficiency. In addition, the platform can be easily operated with the latest GUI (Note), eliminating the need for time required to learn how to operate it.

As the first step in this platform, the Group has started providing RA family and various sensors and connectivity functions and is increasing the number of compatible products, including the RX and RL78 families.

The Group will continue to promote the improvement of the user experience in order to make it easier for customers to develop products and services.

(Note) GUI is an abbreviation for "Graphical User Interface," which is an interface that can be operated by a pointing device such as a mouse, using graphics such as icons and buttons displayed on a computer screen.

(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 233.5 billion yen, an increase of 26.8 billion yen from 206.7 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) totaled 75.5 billion yen. The main breakdown is investment in power semiconductor devices for future growth and investment in renewal and rationalization 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 (Area: m ²)	Others	Total	
Naka Factory (Hitachinaka-shi, Ibaraki Prefecture)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor production facilities	9,803	19,485	2,985 (160,336)	22,697	54,970	342
Musashi Factory (Kodaira-shi, Tokyo)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor R&D facilities	6,113	17,819	7,133 (56,268)	1,829	32,894	3,306
Kawashiri Factory (Kumamoto-shi, Kumamoto Prefecture)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor production facilities	10,863	7,447	3,375 (154,296)	1,715	23,400	70

(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 (Area: m ²)	Others	Total	
Renesas Electronics America (California, U.S.A., etc.)	Automobile, Industrial/ Infrastructure/IoT	Semiconductor production facilities	20,506	19,236	3,377 (566,445)	10,875	53,994	1,814

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 22.0 billion yen in the 1Q of 2024, 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, 2023)	Number of issued shares as of the filing date (as of March 28, 2024)	Names of listed financial instruments exchange, registered or approved financial instruments trading association	Details
Common stock	1,958,454,023	1,870,614,885	Tokyo Stock Exchange (Prime Market)	Shares constituting one unit of shares: 100 shares
Total	1,958,454,023	1,870,614,885	—	—

(Note) Based on the resolution of the Board of Directors dated 8 February 2024, 87,839,138 treasury shares were cancelled on February 29, 2024, in accordance with Article 178 of the Companies Act.

(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 (*)	24 [24] (Note 1)	93 [93] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 2,400 [2,400] (Note 1)	Common stock: 9,300 [9,300] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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:

$$(\text{Number of shares to be granted after adjustment}) = (\text{Number of shares to be granted before adjustment}) \times (\text{Ratio of stock split or stock consolidation})$$

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.
- ① proposal for approval of a merger agreement providing that the Company be dissolved;
 - ② proposal for approval of a company split agreement or company split plan providing that the Company be split;
 - ③ proposal 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 (*)	60 [60] (Note 1)	57 [57] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 6,000 [6,000] (Note 1)	Common stock: 5,700 [5,700] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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.
 - ① proposal for approval of a merger agreement providing that the Company be dissolved;
 - ② proposal for approval of a company split agreement or company split plan providing that the Company be split;
 - ③ proposal 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 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 (*)	58 [52] (Note 1)	18 [18] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 5,800 [5,200] (Note 1)	Common stock: 1,800 [1,800] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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 (*)	1,298 [1,243] (Note 1)	3,297 [2,325] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 129,800 [124,300] (Note 1)	Common stock: 329,700 [232,500] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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:
- $$(\text{Number of shares to be granted after adjustment}) = (\text{Number of shares to be granted before adjustment}) \times (\text{Ratio of stock split or stock consolidation})$$
- 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, 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.
 - ① proposal for approval of a merger agreement providing that the Company be dissolved;
 - ② proposal for approval of a company split agreement or company split plan providing that the Company be split;
 - ③ proposal 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 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 (*)	158 [158] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 15,800 [15,800] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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 (*)	4,689 [3,650] (Note 1)	6,110 [4,913] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 468,900 [365,000] (Note 1)	Common stock: 611,000 [491,300] (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 reorganization (*)	(Note 5)	

(*) The table above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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 (*)	80 [70] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 8,000 [7,000] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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 (*)	780 [719] (Note 1)	264 [259] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 78,000 [71,900] (Note1)	Common stock: 26,400 [25,900] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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 (*)	12,119 [11,000] (Note 1)	13,797 [12,473] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 1,211,900 [1,100,000] (Note 1)	Common stock: 1,379,700 [1,247,300] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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:
- $$(\text{Number of shares to be granted after adjustment}) = (\text{Number of shares to be granted before adjustment}) \times (\text{Ratio of stock split or stock consolidation})$$
- 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.
 - ① proposal for approval of a merger agreement providing that the Company be dissolved;
 - ② proposal for approval of a company split agreement or company split plan providing that the Company be split;
 - ③ proposal 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.

	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 (*)	2,350 [2,290] (Note 1)	1,934 [1,746] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 235,000 [229,000] (Note 1)	Common stock: 193,400 [174,600] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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 (*)	2,845 [2,665] (Note 1)	714 [693] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 284,500 [266,500] (Note 1)	Common stock: 71,400 [69,300] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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 (*)	18 [18] (Note 1)	690 [633] (Note 1)
Type, details and number of shares to be issued upon exercise of the stock acquisition rights (*)	Common stock: 1,800 [1,800] (Note 1)	Common stock: 69,000 [63,300] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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)	309 [309] (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: 30,900 [30,900] (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 above shows the contents as of the end of the current fiscal year (December 31, 2023). For items that changed from the last day of the current fiscal year to the end of the month before the filing date (February 29, 2024), 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.

- ① proposal for approval of a merger agreement providing that the Company be dissolved;
 - ② proposal for approval of a company split agreement or company split plan providing that the Company be split;
 - ③ proposal 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.

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 (Million yen)	Balance of share capital (Million yen)	Changes in legal capital surplus (Million yen)	Balance of legal capital surplus (Million yen)
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
January 1, 2023 - December 31, 2023	—	1,958,454,023	—	153,209	△0	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, 2023

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	—	53	61	892	1,092	516	98,008	100,622	—
Number of shares Held (Unit of shares)	—	3,917,113	192,998	3,717,003	9,212,535	4,559	2,538,778	19,582,986	155,423
Percentage of number of shares Held (%)	—	20.002	0.985	18.980	47.043	0.023	12.964	100	—

(Note) 1. 181,369,882 shares of treasury stock are included in "Individuals and others" (1,813,698 units) and in "Status of shares constituting less than one unit" (82 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 Major Shareholders]

As of December 31, 2023

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	2-11-3, Hamamatsu-cho, Minato-ku, Tokyo	213,263,500	12.00
DENSO CORPORATION	1-1 Showa-cho, Kariya-shi, Aichi	153,143,625	8.61
TOYOTA MOTOR CORPORATION	1, Toyota-cho, Toyota-shi, Aichi	75,015,900	4.22
Custody Bank of Japan, Ltd. (Trust Account)	1-8-12, Harumi, Chuo-ku, Tokyo	74,232,118	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	69,888,857	3.93
Hitachi, Ltd.	1-6-6, Marunouchi, Chiyoda-ku, Tokyo	61,990,548	3.48
Mitsubishi Electric Corporation	2-7-3, Marunouchi, Chiyoda-ku, Tokyo	50,706,885	2.85
JP MORGAN CHASE BANK (Standing proxy: Mizuho Bank, Ltd.)	25 BANK STREET, CANARY WHARF, LONDON, E14 5JP, UNITED KINGDOM (2-15-1, Konan, Minato-ku, Tokyo)	39,712,378	2.23
SSBTC CLIENT OMNIBUS ACCOUNT (Standing proxy: The Hongkong & Shanghai Banking Corporation Limited, Tokyo Branch)	ONE CONGRESS STREET, SUITE 1, BOSTON, MASSACHUSETTS (3-11-1, Nihonbashi, Chuo-ku, Tokyo)	38,663,168	2.17
STATE STREET BANK WEST CLIENT-TREATY 505234 (Standing proxy: Mizuho Bank, Ltd.)	1776 HERITAGE DRIVE, NORTH QUINCY, MA 02171, U.S.A. (2-15-1, Konan, Minato-ku, Tokyo)	28,126,708	1.58
Total	-	804,743,687	45.28

(Note) 1. In addition to the above, the Company owns 181,369,882 shares of treasury stock.

2. Shareholding ratio is calculated by excluding 181,369,882 shares of treasury stock.

3. Shareholding ratio is shown by truncating the numbers beyond the third decimal place.

4. 69,888,857 shares ("Percentage of Shares Held": 3.93%) 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. BlackRock Japan Co., Ltd. submitted a large shareholding report and related correction report with joint ownership of BlackRock (Netherlands) BV, BlackRock Fund Managers Limited, BlackRock Fund Managers Limited, BlackRock (Luxembourg) S.A., BlackRock Asset Management Ireland Limited, BlackRock Fund Advisors and BlackRock Institutional Trust Company, N.A. as of November 6, 2023, reporting that they jointly own 100,437,737 shares (percentage of shares held: 5.65%) as of October 31, 2023 (the date of the reporting obligation has occurred) as follow. However, they are not included in the above Major Shareholders as the Company could not confirm the actual number of shares owned as of December 31, 2023.

The contents of the large shareholding report are as follows;

Name of shareholders	Address	Number of shares held (Shares)	Percentage of shares held (%)
BlackRock Japan Co., Ltd.	1-8-3, Marunouchi, Chiyoda-ku, Tokyo	28,031,300	1.57
BlackRock (Netherlands) BV	Amstelplein 1, 1096 HA, Amsterdam, Netherlands	3,027,275	0.17
BlackRock Fund Managers Limited	12 Throgmorton Avenue, London, England	3,990,048	0.22
BlackRock (Luxembourg) S.A.	35A, Avenue JF Kennedy, L-1855, Luxembourg	10,029,100	0.56
BlackRock Asset Management Ireland Limited	1st Floor, 2 Ballsbridge Park, Ballsbridge, Dublin, Ireland	13,982,094	0.78
BlackRock Fund Advisors	400 Howard Street. San Francisco, California, USA	23,302,000	1.31
BlackRock Institutional Trust Company, N.A.	400 Howard Street. San Francisco, California, USA	18,075,920	1.01

6. As announced in the extraordinary report (changes in major shareholders) dated August 18, 2023, INCJ, Ltd., which was a major shareholder at the end of the previous fiscal year, is no longer a major shareholder at the end of the current fiscal year.

(7) [Status of Voting Rights]

① Issued Shares

As of December 31, 2023

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 181,369,800	—	—
Shares with full-voting rights (others)	Common stock 1,776,928,800	17,769,288	—
Shares constituting less than one unit of shares	Common stock 155,423	1,796,965,800	—
Number of issued shares	1,958,454,023	—	—
Voting rights of all shareholders	—	17,769,288	—

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

② Treasury Stock, etc.

As of December 31, 2023

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	181,369,800	—	181,369,800	9.26
Total	-	181,369,800	—	181,369,800	9.26

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 (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	40,453,107	50,000,040,252
Total number and value of remaining resolution shares	67	82,812
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 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 28, 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)

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.

(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	76	106,248
Treasury stock acquired during the current period	—	—

(Note) The treasury stock acquired during the current year period does not include the number of shares resulting from the purchase of Shares Constituting Less Than One Unit from March 1, 2024 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	—	—	87,839,138	104,528,574,220
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)	20,571,468	21,092,965,284	1,437,380	2,775,666,965
Number of treasury stock owned	181,369,882	—	92,093,364	—

(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, 2024 to the filing date of this Annual Securities Report

3. Dividend Policy

From the perspective of maximizing enterprise value, in order to respond to rapid changes in the business environment and thrive in the global marketplace, the Company aims to achieve a durable financial structure by appropriating retained earnings for strategic investments such as research and development of new products and technologies as well as capital expenditures, and to distribute part of its earnings to shareholders

Since the implementation of the year-end dividend for the 3rd Business Period (Fiscal year ended March 31, 2005), the Company has continued to pay no dividends, and since then has established a strong financial structure through the completion of various structural reforms and further investments in growth.

In light of these circumstances, as a return to shareholders, the Company has conducted 2 rounds of buybacks of its own shares totaling 250 billion yen in June 2022 and April 2023, and as an additional measure for further return of profits to shareholders, the Company has decided to resume dividend payments.

For the current fiscal year (22nd Fiscal Year), the Company declared a year-end dividend of 28 yen per share.

In addition, in order to enable the flexible distribution of dividends from surplus, the Company amended its Articles of Association to the effect that, in addition to the resolution of the General Meeting of Shareholders, dividends from surplus can be determined by a resolution of the Board of Directors and that the record dates for determining dividends from surplus will be March 31, June 30, September 30 and December 31 of each year, in accordance with a resolution of the Company's Annual General Meeting of Shareholders held on March 26 2024.

(Note) Dividends from surplus with a record date in the current fiscal year are as follows.

Date of resolution	Total amount of dividends (Million yen)	Dividend per share (Yen)
March 26, 2024 Resolution of the Annual General Meeting of Shareholders	49,758	28

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 continuously strives to enhance and strengthen our corporate governance to be a company that is trusted by society by maintaining sound relationships with any and all stakeholders including local communities, customers, and business partners in order to fulfill our social responsibility as a company. As part of our measures to enhance our corporate governance, the Company transitioned from a "Company with Board of Corporate Auditors" to a "Company with Nomination Committee, etc." through resolution of the 22nd Annual General Meeting of Shareholders held on March 26, 2024. This transition aims to strengthen transparency and objectivity of functions to supervise the management and governance as well as further accelerate decision-making and business execution through clearly separating the Company's supervisory function from its executive function. Accordingly, we repositioned the Nomination and Compensation Committees (which had been established as voluntary committees) as statutory committees, and newly established the Audit Committee to create a new corporate governance structure.

<Corporate Governance Policy>

Based on our Purpose, "To Make Our Lives Easier", we are committed to building 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 consisting of five elements of conduct for all of our activities, behavior, and decision-making. Based on Renesas Culture, we aim for continuous growth and enhancement of corporate value over the mid- 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 of building a corporate governance structure and system that enables transparent, fair, quick and resolute decision-making. We will remain committed to enhancing 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 or 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 agendas, issues, and alternative solutions in advance. In particular, numbers are as useful as words. Whenever possible, we should 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 an "Innovative" way of conducting business and 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) Basic Views

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) Reasons for Adoption of the Structure

The Company transitioned from a “Company with Board of Corporate Auditors” to a “Company with Nomination Committee, etc.” as a part of measures to enhance its corporate governance, and has established a corporate governance system in which the Board of Directors, focusing on addressing important management issues that are fundamental to the Group and monitoring the management, supervises execution of our business. The Board of Directors and its three internal committees, the Nomination Committee, the Compensation Committee, and the Audit Committee, all of which are comprised of a majority of independent Outside Directors, fulfill their respective functions and roles to realize transparent and fair supervision of overall management. At the same time, the Executive Officers, to whom authority has been substantially delegated from the Board of Directors to determine matters relating execution of business, and the Executive Corporate Officers, who are responsible for business execution under the Executive Officers, will be able to make decisions and execute business operations in a prompt and agile manner. These enable us to survive global competition and achieve business growth. The Company believes that this system is well-functioning and suitable for the Company’s corporate governance.

(c) Board of Directors

The Board of Directors is composed of 6 Directors, including 5 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 decisions about important management matters which affect the fundamentals of the Group including the development of the basic policy for the Group management and election and dismissal of the Executive Officers, and supervises the execution of duties of Directors and Executive Officers. The functions and roles of the Company’s Outside Directors are to participate in management decision-making and to oversee or check the execution of duties by other Directors and Executive Officers from various outside perspectives by drawing on their knowledge, experience, and insight gained from their own careers.

The composition of our Board of Directors and skill matrix of each Director are shown in the table below.

Name (Title)	Management Strategy	Leadership	Risk Management	Legal	Finance	Sustainability	International Business	Semiconductor, Technology, DX
Hidetoshi Shibata (Director)	●	●					●	●
Jiro Iwasaki (Independent Outside Director)	●	●	●		●		●	
Selena Loh Lacroix (Independent Outside Director)				●		●	●	●
Noboru Yamamoto (Independent Outside Director)		●	●		●	●	●	
Takuya Hirano (Independent Outside Director)	●	●					●	●
Tomoko Mizuno (Independent Outside Director)	●	●	●				●	

(Activities of the Board of Directors in the Fiscal Year)

The Company held 5 meetings of the Board of Directors during the current fiscal year. Attendance at the Board of Directors meetings by each Director is as follows.

Name	Position and title	Attendance (Rate)
Hidetoshi Shibata	Director (Chair)	attended 5 of the 5 meetings (100%)
Jiro Iwasaki	Independent Outside Director	attended 5 of the 5 meetings (100%)
Selena Loh Lacroix	Independent Outside Director	attended 5 of the 5 meetings (100%)
Noboru Yamamoto	Independent Outside Director	attended 5 of the 5 meetings (100%)
Takuya Hirano	Independent Outside Director	attended 4 of the 4 meetings (100%)

(Note) 1. Mr. Takuya Hirano’s attendance at the Board of Directors meetings covers the meetings held after his assumption of office as a Director on March 30, 2023.

2. In addition to the above meetings, discussion sessions and written resolutions on individual matters are held as needed.

In the current fiscal year, in addition to discussing and considering strategic M&A, contracts, and capital investment projects to accelerate business growth, the Board of Directors reviewed the governance structure including transition

to a product- and technology-based organization structure and to the “Company with Nomination Committee, etc.” governance structure, and discussed and considered a wide range of matters such as dividend and capital policies including share repurchases, business strategies including initiatives for growth areas and markets and digitalization strategies, sustainability initiatives, status of operation of our internal control system, and evaluation of the effectiveness of the Board of Directors.

(d) Committees

(i) Nomination Committee

The Nomination Committee deliberates on and determines matters related to human resources such as (i) the content of proposals to be submitted to general meetings of shareholders relating to the election and dismissal of Directors, (ii) the election or dismissal of Executive Officers including the Chief Executive Officer (CEO), and (iii) a plan for CEO succession, as well as matters prescribed by applicable laws and regulations and the Articles of Incorporation.

The Nomination Committee is comprised of 3 members, all of whom including the chairperson are independent outside Directors.

(Activities of the Nomination Committee in the Fiscal Year)

The Company held 4 meetings of the voluntary Nomination Committee during the current fiscal year prior to the transition to a “Company with Nomination Committee, etc.”. Attendance at the meetings by each member of the Nomination Committee is as follows.

Name	Position and title	Attendance (Rate)
Jiro Iwasaki	Independent Outside Director (Chair)	attended 4 of the 4 meetings (100%)
Selena Loh Lacroix	Independent Outside Director	attended 4 of the 4 meetings (100%)
Noboru Yamamoto	Independent Outside Director	attended 4 of the 4 meetings (100%)
Takuya Hirano	Independent Outside Director	attended 4 of the 4 meetings (100%)

(Note) 1. Mr. Takuya Hirano’s attendance at the Nomination Committee meetings covers the meetings held after his assumption of office as a member of the Nomination Committee in March 2023.

2. In addition to the above meetings, the Nomination Committee conducted activities such as interviews with the Company’s management as needed.

In response to consultation by the Board of Directors, the Nomination Committee deliberated on the composition of the Board of Directors and evaluation of the effectiveness of the Board of Directors, establishment of requirements for candidates of Directors, search and selection of candidates of Directors, CEO goal setting and performance evaluation, establishment of requirements for candidates of Executive Officers and succession plan of CEO, and management personnel development plan.

(ii) Compensation Committee

The Compensation Committee deliberates on and determines matters related to compensation such as (i) the Company’s policy for determining compensation of individual Executive Officers and Executive Corporate Officers and (ii) contents of individual compensation based on said policy, as well as matters prescribed by applicable laws and regulations and the Articles of Incorporation.

The Compensation Committee is comprised of a total of 4 members: 3 Independent Outside Directors and 1 Director. The chairperson is an Outside Director.

(Activities of the Compensation Committee in the Fiscal Year)

The Company held 5 meetings of the voluntary Compensation Committee during the current fiscal year prior to the transition to a “Company with Nomination Committee, etc.”. Attendance at the meetings by each member of the Compensation Committee is as follows.

Name	Position and title	Attendance (Rate)
Selena Loh Lacroix	Independent Outside Director (Chair)	attended 5 of the 5 meetings (100%)
Hidetoshi Shibata	Director	attended 5 of the 5 meetings (100%)
Noboru Yamamoto	Independent Outside Director	attended 5 of the 5 meetings (100%)
Tomoko Mizuno	Independent Outside Corporate Auditor	attended 5 of the 5 meetings (100%)

(Note) 1. Ms. Tomoko Mizuno’s position and title represents her position and title before her assumption of office as an Outside Director in March 2024.

2. In addition to the above meetings, the Compensation Committee conducted activities such as holding sessions with expert advisors as needed.

In response to consultation by the Board of Directors, the Compensation Committee deliberated on the Company’s policy for determining compensation of individual Directors and Executive Corporate Officers, contents of individual compensation based on performance evaluation, and the system, details and level of compensation for the Directors and Executive Corporate Officers in consideration of the situation of domestic and foreign competitors and related industries, etc.

(iii) Audit Committee

Cooperating with the Accounting Auditor, the internal audit department, and other related departments, the Audit Committee (i) audits the performance by Directors and Executive Officers of their respective responsibilities and duties, (ii) prepares audit reports, and (iii) determines the content of proposals to be submitted to general meetings of shareholders relating to the election, dismissal and non-reelection of the Accounting Auditor, as well as conduct matters prescribed by applicable laws and regulations and the Articles of Incorporation.

The Audit Committee is comprised of 3 members, all of whom including the chairperson are independent outside Directors.

(Activities of the Corporate Auditors and the Board of Corporate Auditors in the Fiscal Year)

The Company was a “Company with Board of Corporate Auditors” during the current fiscal year. Activities of the Corporate Auditors and the Board of Corporate Auditors are listed under “Part I. Corporate Information, IV. Status of the Filing Company, 4. Status of Corporate Governance and Related Matters, (3) Audit Status, ② Status of Audits by Corporate Auditors”.

The following table shows the composition of each committee as of the filing date of this Annual Securities Report.

Name	Position and title	Nomination Committee	Compensation Committee	Audit Committee
Hidetoshi Shibata	Director		○	
Jiro Iwasaki	Independent Outside Director	◎		○
Selena Loh Lacroix	Independent Outside Director	○	◎	
Noboru Yamamoto	Independent Outside Director		○	○
Takuya Hirano	Independent Outside Director	○		
Tomoko Mizuno	Independent Outside Director		○	◎

(Note) ○ denotes a member and ◎ denotes a chairperson of the applicable committee.

(e) Executive Officers

In order to clarify business execution responsibilities and speed up decision-making on the execution of operations, the Board of Directors provides Executive Officers, who have statutory authority to execute business, with authority significantly to make business decisions. The Executive Officers are responsible for the management of the entire Group, executing business by themselves and directing the Executive Corporate Officers to whom authority is appropriately delegated with respect to individually defined business responsibilities.

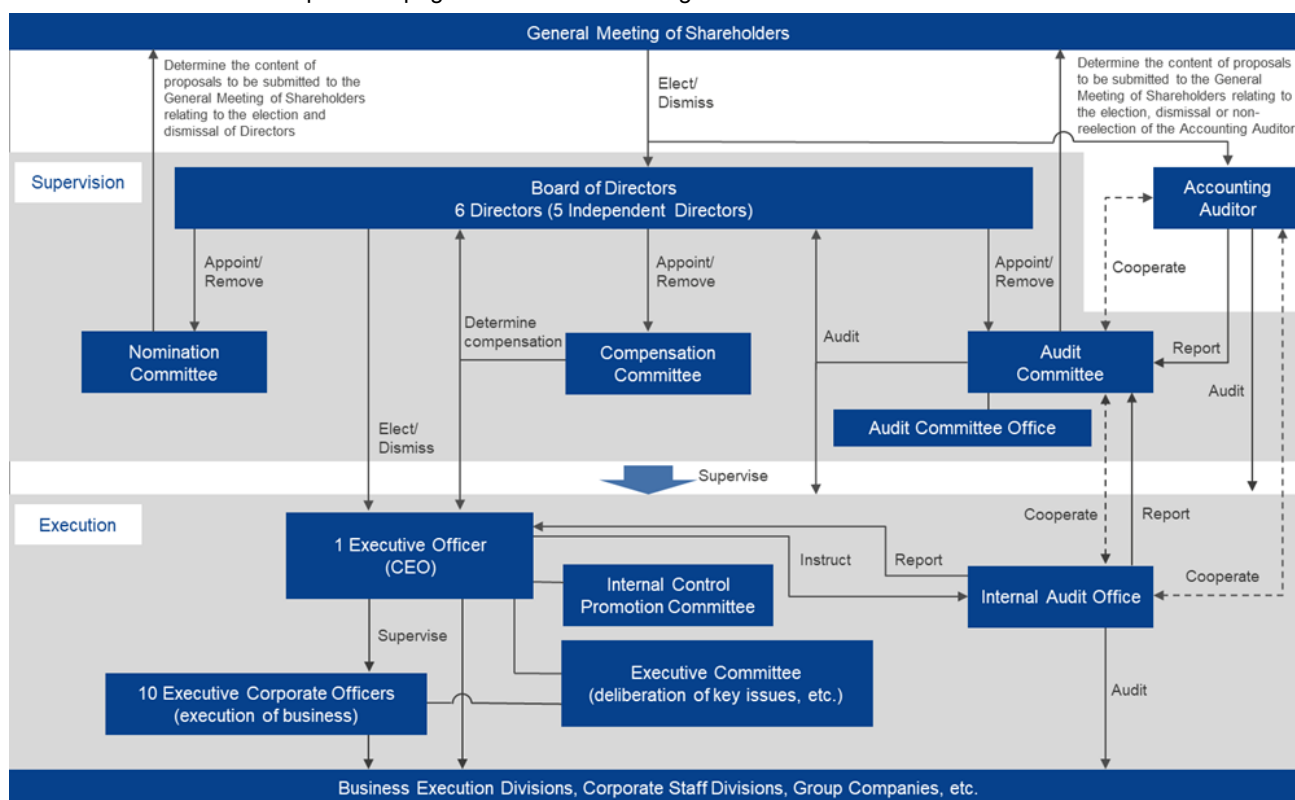
(f) Executive Committee

The Company discusses or determines important management issues of the Group at the Executive Committee, which is composed of Executive Officers and Executive Corporate Officers. In principle, the Executive Committee also deliberates on matters to be submitted to the Board of Directors prior to discussion by the Board of Directors, in order to enhance the Board’s deliberation.

(g) Internal Control System

The Board of Directors has established a basic policy for the development of the systems stipulated in “ロ” and “ホ” of Item 1 of Paragraph 1 of Article 416 of the Companies Act and Article 112 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 officer responsible for internal controls, and the officer responsible for administrative divisions. The Committee deliberates, proposes, and promotes the Group’s 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 “ロ” and “ホ” of Item 1 of Paragraph 1 of Article 416 of the Companies Act and Article 112 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 Executive Officers, Executive Corporate Officers and employees complies with laws and regulations and the Company's Articles of Incorporation>

- The Executive Officers 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 Directors, Executive Officers, Executive Corporate Officers and employees (“Members”). The Executive Officers 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 Executive Officers 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 Executive Officers shall set up the “Renesas Electronics Group Hotline” as a whistleblowing contact point for the Group and its business partners, etc. to report violations or possible violations of compliance. The Executive Officers shall ensure the Group and its business partners, etc., 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 Executive Officers 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 and Executive Officers>

- The Directors and Executive Officers shall properly prepare, preserve, and manage minutes of the General Meetings of Shareholders, Meetings of the Board of Directors and other documents in accordance with applicable laws and regulations. The Directors and Executive Officers 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 Executive Officers 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, Executive Corporate 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 and Executive Corporate 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 Executive Officers 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 and Executive Officers>

- 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 on basic management policies of the Group, matters stipulated by laws and regulations, and any other important management issues as well as overseeing the execution of duties by Executive Officers.
- The Executive Officers shall execute their duties in an agile and efficient manner by adopting an Executive Corporate Officer System and delegating authority appropriately. Important issues for the Company's management shall be discussed at the Executive Committee.
- The Executive Officers and Executive Corporate Officers shall make expedient decisions for business operation by delegating authority to the relevant general managers or other employees. The Executive Officers, Executive Corporate Officers, the relevant general managers and other employees shall execute their authority properly and efficiently in accordance with the "Basic Rules of Ringi Approval".
- The Executive Officers and Executive Corporate Officers shall execute their duties promptly and efficiently in accordance with their office routine regulations 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 Executive Officers 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 Executive Officers shall constantly oversee, guide, and support the Company's subsidiaries through the divisions responsible for the business, 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 Executive Officers 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 Executive Officers shall, through the Internal Control Promotion Committee, etc., establish Group-wide shared decision-making rules and policies on Group governance.
- The Executive Officers shall have the 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, etc. to ensure appropriate operations of the Group.

<Matters relating to employees assigned to assist the Audit Committee, independence of such employees from Executive Officers, and ensuring effectiveness of instruction to such employees >

- The Executive Officers shall establish an Audit Committee Office composed of specialized or concurrent staff for the purpose of assisting the activities of the Audit Committee. Any evaluation, personnel transfer, discipline and the like of such staff shall require prior consultation with the Audit Committee, and such staff shall not be directed or supervised by the Executive Officers for duties to assist the Audit Committee.

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

- Members of the Group and corporate auditors, etc. of the Company's subsidiaries shall, upon requests from the Audit Committee, report to the Audit Committee on matters such as the execution of their duties.
- The Internal Audit Office shall submit and report the internal audit report for the Group to the Audit Committee.
- The Internal Control Promotion Committee shall periodically report to the Audit Committee the situation of the matters reported to the "Renesas Electronics Group Hotline".
- When Members of the Group and corporate auditors, etc. of the Company's subsidiaries have made a report to the Audit Committee or members thereof, the Company prohibits any adverse treatment as a result of their having made a report. These rules shall be stated clearly in the "Whistleblower Policy" and on the Company's intranet.

<Procedures for advance payment or compensation of expenditures occurring in connection with the execution of duties of members of the Audit Committee, and policies on the treatment of cost, expenditure and obligations occurring in connection with the execution of the members' duties>

- Upon the request from members of the Audit Committee for advance payment of expenditures, etc., the Company

shall bear the cost, expenditure, and payables except in the case it is proved that such cost, expenditure and payables are not necessary to execute the duties of members of the Audit Committee.

<Other systems necessary to ensure effective auditing by the Audit Committee>

- The members of the Audit Committee selected by the Audit Committee may attend important meetings of the Company as they deem necessary. Furthermore, the Executive Officers shall guarantee the right of the Audit Committee to access important corporate information.
 - The members of the Audit Committee shall hold Audit Committee meetings in principle once or more every 3 months, and shall exchange information and deliberate on the status of audits and related matters. The Audit Committee shall also receive regular reports from the Accounting Auditors on their audit activities, and exchange opinions on them.
- (b) The Internal Control Promotion Committee, which is composed of, among others, the President and CEO, the officer responsible for internal control, and the 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 stipulate 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 pr The Articles of Incorporation stipulates that the Company may determine matters provided for in each Item of Paragraph 1, Article 459 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 realize capital policies including distributions of 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 Executive Officers (including those who had been Executive Officers) 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 Executive Officers to fully play their expected roles.

⑧ Summary of the Limited Liability Agreement

The Company has entered into agreements with Outside Directors 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: 4 persons, Women: 2 persons (Percentage of women among Directors and Corporate Auditors Board members: 33.3%)

(a) Status of Directors

As of March 28, 2024

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	Hidetoshi Shibata (November 16, 1972)	<p>April 1995 Joined Central Japan Railway Company</p> <p>August 2001 Joined MKS Partners Limited as Principal Partner, MKS Partners Limited</p> <p>August 2004 Joined Global Private Equity, Merrill Lynch Japan Securities Co., Ltd. (currently, BofA Securities Japan Co., Ltd.) as Managing Director</p> <p>October 2007</p> <p>September 2009 Joined Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation) as Managing Director</p> <p>June 2012 Executive Managing Director, Investment Group, Innovation Network Corporation of Japan (currently, Japan Investment Corporation)</p> <p>October 2013 Member of the Board, the Company</p> <p>November 2013 Executive Vice President, Member of the Board and CFO, the Company</p> <p>June 2016 Executive Vice President and CFO, the Company</p> <p>March 2018 Executive Vice President, Member of the Board and CFO, the Company</p> <p>July 2019 Representative Director, President and CEO, the Company</p> <p>March 2024 Director, Representative Executive Officer, President and CEO, the Company (present)</p>	(Note 1)	552,500
Director	Jiro Iwasaki (December 6, 1945)	<p>April 1974 Joined Tokyo Denki Kagaku Kogyo K.K. (currently, TDK Corporation)</p> <p>June 1996 Director, General Manager of Human Resources, TDK Corporation</p> <p>June 1998 Director and Senior Vice President, Executive Officer of Recording Media & Solutions Business Group, TDK Corporation</p> <p>June 2006 Director and Executive Vice President, Senior Executive Officer of Administration Group, TDK Corporation</p> <p>March 2008 Audit and Supervisory Board Member, GCA Savvian Corporation (currently, HOULIHAN LOKEY Corporation)</p> <p>June 2009 Director and Senior Vice President, Executive Officer of Strategic Human Resources and Administration Division, JVC KENWOOD Holdings, Inc. (currently, JVC KENWOOD Corporation)</p> <p>March 2011 Audit and Supervisory Board Member, SBS Holdings, Inc.</p> <p>April 2011 Professor at Teikyo University, Faculty of Economics</p> <p>March 2015 Outside Director, SBS Holdings, Inc. (present)</p> <p>March 2016 Outside Director (Full-time Audit and Supervisory Committee Member), GCA Savvian Corporation (currently, HOULIHAN LOKEY Corporation)</p> <p>June 2016 Outside Director, the Company (part-time) (present)</p>	(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)	<p>1988 Joined a Singaporean law firm as an associate</p> <p>August 1992 Joined Gray Cary Ware & Freidenrich LLP (now DLA Piper) as an associate</p> <p>June 1995 Senior Counsel, Texas Instruments Incorporated</p> <p>December 2004 Vice President & General Counsel, Asia Pacific, Honeywell International Inc.</p> <p>May 2010 Global Semiconductor Practice Leader & Global Legal, Regulatory and Compliance Practice Leader, Egon Zehnder</p> <p>December 2016 Member of Board of Directors, Integrated Device Technology, Inc. (part-time) (resigned March 2019)</p> <p>June 2017 Global Technology & Communication Practice Leader, Egon Zehnder</p> <p>November 2017 Board Member, National Association of Corporate Directors - North Texas Chapter (part-time) (present)</p> <p>December 2019 Vice Chair, Technology Practice, Korn Ferry (present)</p> <p>March 2020 Outside Director, the Company (part-time) (present)</p>	(Note 1)	58,244
Director	Noboru Yamamoto (November 21, 1962)	<p>April 1986 Joined Mazda Motor Corporation</p> <p>May 1989 Joined Daiwa Securities Co. Ltd.</p> <p>February 2002 Joined PricewaterhouseCoopers Financial Advisory Service Ltd. (currently, PwC Advisory LLC) as Managing Director</p> <p>April 2003 Joined Lazard Frères K.K. as Managing Director</p> <p>October 2006 Joined Nikko Citi Group Securities Co., Ltd. (currently, Citigroup Global Markets Japan Inc.), Investment Banking Unit, as Managing Director</p> <p>November 2011 Joined BNP Paribas, Tokyo Branch, Investment Banking Division, as Co-head</p> <p>June 2016 Outside Director, Hitachi Koki Co., Ltd. (currently, Koki Holdings Co., Ltd.)</p> <p>September 2016 Representative Director, Representative Partner & CEO, XIB Capital Partners, Inc. (present)</p> <p>March 2018 Outside Director, Tsubaki Nakashima Co., Ltd. (present) Outside Corporate Auditor, the Company (part-time)</p> <p>March 2020 Outside Director, the Company (part-time) (present)</p> <p>January 2023 Senior Advisor, Bain & Company Japan, Inc. (present)</p> <p>April 2023 Outside Director, Chairperson of the Board of Directors (part-time), Tsubaki Nakashima Co., Ltd. (part-time) (present)</p> <p>July 2023 Outside Director, Chairperson of Audit & risk committee, Koki Holdings Co., Ltd. (part-time) (present)</p>	(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	Takuya Hirano (August 11, 1970)	December 1995 Joined Kanematsu USA 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) June 2022 Outside Director, Yokogawa Electric Corporation (part-time) (present) October 2022 Outside Director, Yayoi Co., Ltd. March 2023 Outside Director, the Company (part-time) (present) April 2023 Chairman, Yayoi Co., Ltd. (part-time) (present)	(Note 1)	—
Director	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) March 2024 Outside Director, the Company (part-time) (present)	(Note 3)	—
Total				610,744

- (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 26, 2024.
2. Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto, Mr. Takuya Hirano, and Ms. Tomoko Mizuno are outside Directors, as stipulated in Item 15, Article 2 of the Companies Act.
3. The Company transitioned to a "Company with Nomination Committee, etc." as of March 26, 2024 by resolution of the 22nd Annual General Meeting of Shareholders held on March 26, 2024. The composition of each committee is as follows.
- Nomination Committee: Mr. Jiro Iwasaki (Chair), Ms. Selena Loh Lacroix, Mr. Takuya Hirano
Compensation Committee: Ms. Selena Loh Lacroix (Chair), Mr. Hidetoshi Shibata, Mr. Noboru Yamamoto, Ms. Tomoko Mizuno
Audit Committee: Ms. Tomoko Mizuno (Chair), Mr. Jiro Iwasaki, Mr. Noboru Yamamoto

(b) Status of Executive Officers

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 Executive Officer, President and CEO	Hidetoshi Shibata (November 16, 1972)	See "(a) Status of Directors"	(Note 1)	552,500

- (Note) 1. The term of office shall expire at the conclusion of the first meeting of the Board of Directors held after the conclusion of the Annual General Meeting of Shareholders held with respect to the last business year ending within one year following his/her election.
2. The Company adopts an executive corporate officer system. Executive Corporate Officers as of the filing date are as follows:
Sailesh Chittipeddi, Shinichi Yoshioka, Bobby Matinpour, Shuhei Shinkai, Takeshi Kataoka, Vivek Bhan, Toshihiko Seki, Davin Lee, Chris Allexandre, Julie Pope

② Outside Directors

(a) Appointment of Outside Directors

The Company appoints 5 Outside Directors (out of 6 Directors) who have a great variety of experience and expertise to proactively incorporate outside perspectives and multilaterally deal with management issues. Further, with an aim to obtaining appropriate and objective advice to improve our business performance and corporate governance, the Company has notified the Tokyo Stock Exchange that the following Directors are Independent Directors: Mr. Jiro Iwasaki, Ms. Selena Loh Lacroix, Mr. Noboru Yamamoto, Mr. Takuya Hirano, and Ms. Tomoko Mizuno (Outside Directors).

(b) Functions and Roles of Outside Directors

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 for Director, as the chair of that Committee. Since March 2024, in accordance with the Company's transition to a "Company with Nomination Committee, etc.", he has been appointed a member of the Audit Committee as well as the Chair of the Nomination 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 not only led the activities of the voluntary Compensation Committee, including deliberation of the compensation policy for Directors and Executive Corporate Officers, as the chair of that Committee, but also participated in deliberation of selecting candidates for Director, etc.

Mr. Noboru Yamamoto, an Outside Director, demonstrates supervising and monitoring capabilities on the overall management of the Company, based on his 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. He has participated in deliberation of the compensation policy for Directors and Executive Corporate Officers, etc. as a member of the voluntary Compensation Committee and deliberation of selecting candidates of Directors, etc. as a member of the voluntary Nomination Committee since March 2020 and April 2021, respectively. In addition, since 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 experience in multiple leadership positions in Japan and other regions at Microsoft Corporation, a global IT company which achieved a successful business transformation from packaged software to cloud computing services. Since March 2023, he has participated in the deliberation of selecting candidates for Director, etc.

Ms. Tomoko Mizuno has abundant knowledge, experience and achievements in the fields of corporate planning, human resources, and others, cultivated through years of business management at a machinery and electronic component company and working in a global consulting firm and pharmaceutical companies. She has audited the overall management of the Company appropriately as Outside Corporate Auditor since March 2021. She has also actively shared her opinions as a member of the voluntary Compensation Committee. For the above reasons, the Company expects her to strengthen the function of the Board of Directors by supervising and checking the overall management of the Company. Since March 2024, in accordance with the Company's transition to a "Company with Nomination Committee, etc.", she has been appointed the Chair of the Audit Committee as well as a member of the Compensation Committee.

(c) Relationship with Outside Directors

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

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

To ensure that our corporate governance is conducted with the appropriate level of objectivity and transparency, we have established Standards for determining the Independence of Outside Directors, which are standards for determining whether Outside Directors 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 Directors.

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 Corporate Officers).

1. Business relationship as an Important Customer of the Company:

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

4. Business relationship providing Professional Services:

The Outside Director 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 Director 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 Director serves as an Officer.

6. Other significant relationship as an Employee:

The Outside Director is an Employee of the Company or its subsidiaries.

7. Other significant relationship as Accounting Auditor:

The Outside Director 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 Director 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 Director 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 the above, the Company has registered 5 Outside Directors to the Tokyo Stock Exchange as Independent Executives.

(e) Cooperation between Outside Directors and Internal Audits, Audits by the Audit Committee, and Accounting Audits, and Relationship with Internal Control Divisions

As members of the Board of Directors, the Outside Directors receive reports from the Executive Officers and each Committee on the execution of their duties and supervise overall management of the Company from an independent standpoint. The Company has established the Audit Committee Office, which is composed of specialized or concurrent staff supporting members of the Audit Committee and the Audit Committee in cooperation with the internal audit department. The Company does not have a dedicated staff to support Outside Directors other than those mentioned above, but staff members of the Legal Division and other employees provide support in a timely manner.

Further, the Internal Control Divisions (including Legal Division, Finance, and Corporate Strategy) cooperate in providing advance and ex-post explanations in a timely manner in response to requests from Outside Directors and members of the Audit Committee 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 Audit Committee, the Company makes efforts to ensure that sufficient information is provided in a timely manner so that Directors and members of the Audit Committee may prepare beforehand. To that end, the staff members of the Legal Division provide notices and materials related to deliberations at the Board of Directors, and the Audit Committee staff members provide notices and materials related to deliberations at the Audit Committee. In addition, staff members of the Legal Division and the Audit Committee, depending on the topic, promptly respond to questions and comments from Outside Directors and members of the Audit Committee by making inquiries of related divisions within the Company.

The Internal Control Divisions led by Finance and the Internal Audit Department 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 members of the Audit Committee, thereby realizing collaboration between Outside Directors and members of the Audit Committee, and the Accounting Auditor.

Outside Directors and members of the Audit Committee also receive reports on the status of internal audits at the meetings of the Board of Directors and the Audit Committee or through other means. In this way, the Outside Directors and members of the Audit Committee work closely with the internal audit department 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 Divisions

The Internal Audit Department conducts interviews and other inquiries of internal divisions, including the Internal Control Divisions, 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

As a part of our measures to enhance corporate governance, the Company transitioned from a "Company with Board of Corporate Auditors" to a "Company with Nomination Committee, etc." by resolution of the 22nd Annual General Meeting of Shareholders held on March 26, 2024. For the structure, personnel, and procedures of the Audit Committee as of the filing date of the Annual Securities Report, please refer to "Part I. Corporate Information, IV. Status of the Filing Company, 4. Status of Corporate Governance and Related Matters, (1) Summary of Corporate Governance, ② Corporate Governance Structure and Reasons for Adoption of the Structure, (d) Committee, (iii) Audit Committee."

(Activities of the Corporate Auditors in this Fiscal Year)

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 Divisions), 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 during 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 8 meetings (100%)
Corporate Auditor (part-time)	Tomoko Mizuno	attended 9 of the 9 meetings (100%)
Corporate Auditor (part-time)	Miya Miyama	attended 9 of the 9 meetings (100%)

(a) 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.

(b) Cooperation between Corporate Auditors and the Accounting Auditor

Each Corporate Auditor requires the Accounting Auditor to periodically report on audits. 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. The 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 Japan LLC

(Note) PricewaterhouseCoopers Aarata LLC merged with PricewaterhouseCoopers Kyoto on December 1, 2023 and changed its name to PricewaterhouseCoopers Japan LLC.

(b) Continuous Audit Period

5 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
 14 certified public accountants and 35 others assisted with the accounting audit of the Company.

(e) Policies and Reasons for Selection of Auditing Firm

The Board of Corporate Auditors chose PricewaterhouseCoopers Japan LLC as 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 the 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 service fees (Million yen)	Non-auditing service fees (Million yen)	Audit certification service fees (Million yen)	Non-auditing service fees (Million yen)
Filing Company	244	7	234	—
Consolidated subsidiaries	14	1	14	1
Total	258	8	248	1

(Previous Fiscal Year)

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

(Current Fiscal Year)

The non-auditing service provided to consolidated subsidiaries is agreed procedural work services.

(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 service fees (Million yen)	Non-auditing service fees (Million yen)	Audit certification service fees (Million yen)	Non-auditing service fees (Million yen)
Filing Company	—	112	—	163
Consolidated subsidiaries	476	167	505	62
Total	476	279	505	225

(Previous Fiscal Year)

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

(Current Fiscal Year)

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 considering 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]

<FY2024 Executive Compensation>

The Company transitioned its corporate governance model from a "Company with Board of Corporate Auditors" to a "Company with Nomination Committee, etc." by approval of the 22nd Annual General Meeting of Shareholders on March 26, 2024. The basic policy for compensation of Directors, Executive Officers (Shikko-yaku), and Executive Corporate Officers (Shikko-yakuin) after the transition is as follows, with no changes from the current fiscal year's policy. Detailed compensation will be determined by the Compensation Committee.

Compensation for Directors

- 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 accurately satisfies ability requirements to realize corporate vision

Compensation for Executive Officers and Executive Corporate Officers

- 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 accurately satisfies ability requirements to realize corporate vision

After the transition to a "Company with Nomination Committee, etc.", the Company intends to continue to update our executive compensation program in a manner consistent with global company practices. 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.

<FY2023 Executive Compensation>

① Compensation for Directors and Corporate Auditors

(a) Compensation for Directors

Compensation for Directors who serve concurrently as Executive Officers (meaning Shikko-yakuin in Japanese; hereinafter the same applies in part of FY2023 Executive Compensation) is described in "② Compensation for Executive Officers" below.

The basic policy regarding compensation for Directors who do 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 accurately satisfies ability requirements to realize corporate vision

For Directors who do not concurrently serve as Executive Officers, the Company pays a 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 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) to some such Directors, 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 an Executive Officer, 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 compensation (Million yen)	Total amount of compensation by type (Million yen)			
			Monetary compensation		Non-monetary compensation, etc.	
			Base salary	Performance-linked compensation (Short-term incentive)	Long-term incentives	
					Continuous service conditional stock-based compensation	Stock-linked conditional Stock-based compensation
Directors (excluding Outside Directors)	1	1,629	92	122	323	1,092
Outside Directors	5	128	58	-	70	-
Corporate Auditor (excluding Outside Corporate Auditors)	1	20	20	-	-	-
Outside Corporate Auditors	3	18	18	-	-	-

- (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) 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 513 million yen for internal Directors and 35 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 (JPY139.80 = USD 1.00).
6. At the 16th Ordinary General Meeting of Shareholders held on March 29, 2018, 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, 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 eligible for Performance Share Units (PSUs) (Outside Directors are not eligible for grant) 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 Embedded Processing, Digital Power and Signal Chain Solutions Group	-	✓
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 and CSMO, in charge of Sales and Marketing	-	✓
Shuhei Shinkai	Senior Vice President and CFO, in charge of matters relating to Finance, Corporate Strategy, Accounting & Control, Procurement Division, and Supply Chain Management Division	-	✓
Takeshi Kataoka	Senior Vice President, in charge of matters relating to High Performance Computing, Analog and Power Solution Group (Co-Head)	-	✓
Vivek Bhan	Senior Vice President, in charge of matters relating to High Performance Computing, Analog and Power Solution Group (Co-Head)	-	✓
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 Embedded Processing, Digital Power and Signal Chain Solutions Group (Mobility Infrastructure and Industrial Power)	-	✓
Julie Pope	Senior Vice President and CHRO, in charge of matters relating to Human Resources and General Affairs 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 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 the core members of our management team.

Therefore, the Company includes in our disclosure individual compensation for the CEO, CFO and other top three compensated executive officers (i.e., CSMO, Executive Vice President, in charge of matters relating to Embedded Processing, Digital Power and Signal Chain Solutions Group and Senior Vice President, in charge of matters relating to High Performance Computing, Analog and Power Solution Group) 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) Overview

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

The Company uses global and Japanese companies in the semiconductor and other related industries as benchmark comparators when formulating compensation plans and setting compensation levels. Each year, we conduct market comparisons of executive compensation plans and update executive compensation packages based on the results of these comparisons. In order to attract and retain talented Executive Officers who can drive our business, the Company designs compensation packages that are appropriate and competitive for a global company.

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.

(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 accurately satisfies 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 portion of each type of compensation within 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 places more emphasis on 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 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 as well as motivating them to drive global business expansion.

This compensation will be adjusted annually in consideration of market salary increase rates, the Company's 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 the Automotive Business segment and the IoT and Infrastructure Business segment. 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 are set annually. The payout amounts based on business performance are approved by the Compensation Committee.

(2) Stock-based Compensation

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

Long-Term Incentives (LTIs) are a form of 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.

Performance indicators	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.
Performance evaluation period	3 years from April 1 of the year in which the PSUs were granted
TSR growth rate of the Company	<p>(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)</p> <p>(*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.</p> <p>The diagram shows a horizontal timeline starting at '1st April of grant year' and ending at '3rd anniversary date'. The period between these two points is labeled 'Performance Evaluation Period' and is divided into 'Year1', 'Year2', and 'Year3'. Below the timeline, two arrows indicate '3 months average prior to the start date' and '3 months average prior to the end date'.</p>

Method of determining issued shares	<ul style="list-style-type: none"> • 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. 	
	TSR	Vest rate
	1) Less than the 25th percentile	0%
	2) The 25th percentile or more, and less than the 50th percentile	Rate calculated as the same percentage increase between 50% and 100%
	3) The 50th percentile or more, and less than the 75th percentile	Rate calculated as the same percentage increase between 100% and 150%
	4) The 75th percentile or more, and less than the 90th percentile	Rate calculated as the same percentage increase between 150% and 200%
5) The 90th percentile or more	200%	

[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. For US and Europe, the Company selected semiconductor companies considering revenue level and market capitalization. The disclosed personal compensation data of comparable companies in compensation is supplemented by market compensation data (Mercer LLC and Aon survey).

Companies with headquarters, etc. in Japan (Number of comparable companies: 13)	Companies with headquarters, etc. in the US (Number of comparable companies: 12)	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 Holding Corporation Olympus Corporation Trend Micro Incorporated. DENSO Corporation TDK Corporation Murata Manufacturing Corporation	Analog Devices Inc. Texas Instruments Inc. Microchip Technology Inc. Advanced Micro Devices Inc. Applied Materials, Inc. Broadcom Inc. Lam Research Corp. Marvell Technology, Inc. Maxim Integrated Micron Technology, Inc. Qualcomm, Inc. KLA Corp. ON Semiconductor Corp.	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, US, or UK).

< 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: Million yen)	Base salary (Base amount: Million yen)	Percentage of STI for base salary
Hidetoshi Shibata	122	97	125.0%
Shuhei Shinkai	31	34	90.0%
Sailesh Chittipeddi	83	87	95.0%
Vivek Bhan	59	78	75.0%
Chris Allexandre	52	70	75.0%

(Note) 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 (JPY139.80 = USD 1.00). The percentage of STI for Base salary is calculated based on amounts before rounding.

Provisional STI payments are calculated based on the revenue (growth rate) and operating income margin (Non-GAAP basis) of the whole company.

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 deliberation 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))>

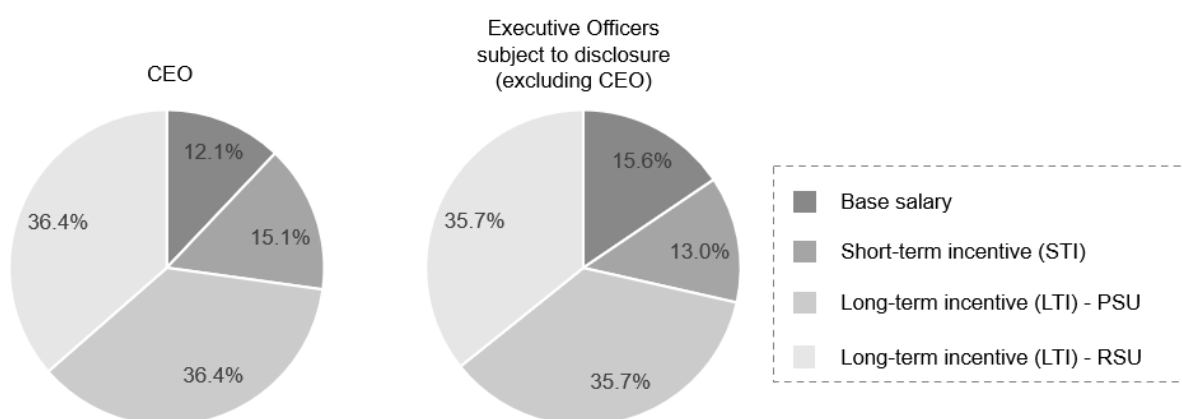
The following table shows the grant level for each Executive Officer based on the calculation of the number of Stock-based Compensation granted to Executive Officers that the Company disclosed in the current fiscal year.

Name	Stock-based compensation (base amount of grant level: Million yen)		
	Total	PSU (base amount of grant level)	RSU (base amount of grant level)
Hidetoshi Shibata	586	293	293
Shuhei Shinkai	149	74	74
Sailesh Chittipeddi	461	231	231
Vivek Bhan	280	140	140
Chris Allexandre	350	175	175

(Note) 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 (JPY139.80 = USD1.00)). 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.”

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, 2023)

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

Both revenue (Non-GAAP basis) and operating income margin (Non-GAAP basis) decreased during the current fiscal year.

Total shareholder return grew 139.5% on a 3-year average, outpacing the median of TOPIX constituent companies and outpacing the median of SOX-constituent companies.

Revenue (Non-GAAP basis)

- Our revenue decreased 2.2% in FY2023 compared with the previous fiscal year.
- Revenue by business unit is as follows:
 - Revenue in the Automotive segment in FY2023 increased 7.8% compared with the previous fiscal year.
 - Revenue in the Industrial/Infrastructure/IoT segment in FY2023 decreased 9.6% compared with the previous fiscal year.

Operating margin (Non-GAAP basis)

- Our operating margin (Non-GAAP basis) in FY2023 decreased 3.1pts 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 segment in FY2023 increased 0.4 pt compared with the previous fiscal year.
 - Operating margin (Non-GAAP basis) in the IoT and Infrastructure segment in FY2023 decreased 5.3 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 FY2023 was 139.5%, higher than the median of TOPIX constituent companies and also higher than the median of SOX-constituent companies.
- Payout% based on the TSR is as below.

TSR of Renesas	Group	%ile Max: 90%ile or above Target: 50%ile Min: less than 25%ile	Payout% Max: 100% Target: 50% Min: 0%	Weight	Final payout% Vs Grant value Max: 100% Target: 50% Min: 0%	Final payout% Vs PSO Target value Max: 200% Target: 100% Min: 0%
139.5%	SOX	82.1%ile	86.8%	50%	93.4%	186.8%
	TOPIX	96.3%ile	100%	50%		

(Note) Since the number of PSO to vest can't exceed the number granted, 200% of PSO Target value had been granted then the number of PSO to vest was calculated multiplying the number of grants by 0-100% as a result of performance evaluation.

Overview of performance results

	1 year	3 years
Revenue (Non-GAAP basis)	-2.2%	
Automotive segment	+7.8%	
Industrial/Infrastructure/IoT segment	-9.6%	
Operating margin (Non-GAAP basis)	-3.1pts	
Automotive segment	+0.4pt	
Industrial/Infrastructure/IoT segment	-5.3pts	
Total Shareholder Return (TSR)		+139.5%

- (Note) 1. Revenue and Operating Margin (Non-GAAP basis): Disclosed results on a Group-consolidated and Non-GAAP basis
2. TSR performance evaluation period: April 1, 2020 to March 31, 2023
3. 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
4. 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. Sailesh Chittipeddi served as General Manager of Embedded Processing, Digital Power and Signal Chain Solutions Group and the CEO focused on the financial performance and strategic positioning of the business group.
- Mr. Vivek Bhan served as Co-head of High Performance Computing, Analog and Power Solution Group and the CEO focused on the financial performance and strategic positioning of the business group.
- Mr. Chris Alexandre served as CSMO and the CEO focused on our sales and marketing activities.

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

Name	Amount of compensation (Million yen)				Total compensation (Million 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	92	122	323	1,092	1,629
Shuhei Shinkai	33	31	80	274	418
Sailesh Chittipeddi	86	83	438	1,542	2,149
Vivek Bahn	78	59	144	0	281
Chris Alexandre	70	52	251	896	1,270

- (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 a Director (the CEO) is compensated as a Director.
4. For overseas officers, the currency for payment is converted into Japanese yen at the average exchange rate during the current fiscal year (JPY139.80 = 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 1,629 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 272 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, 2023 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.

Compensation Committee members are as follows:

- Chairman: Selena Loh Lacroix (Outside Director)
- Member: Hidetoshi Shibata (Representative Director, 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 5 meetings. The compensation structure, individual compensation level (including payout amount of performance-linked compensation and grant amount of stock-based compensation) for Directors and Executive Officers are decided based on market data and compensation advisor's (Willis Towers Watson) advice by the Voluntary Compensation Committee. The grant of stock-based compensation is decided by the Board of Directors after deliberations by the Compensation Committee.

(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	Total Balance Sheet amount (Million yen)
Unlisted shares	11	2,832
Shares other than unlisted shares	1	799

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

	Number of issues	Total Balance Sheet amount (Million yen)	Reason for the increase in the number of shares
Unlisted shares	1	719	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	—	—	—

(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	Number of shares		
	Total Balance Sheet amount (Million yen)	Total Balance Sheet amount (Million yen)		
Sequans Communications S.A.	1,974,755	1,974,755	The investee is a semiconductor company that provides cellular IoT chipsets and modules, and has been collaborating with us in the development of cellular IoT solutions since 2020. In 2022, we made a small investment with the intention of ensuring a stable supply of products, expanding the product line-up with 5G technology of the investee and strengthening our competitiveness through this, thereby strengthening our mutual cooperative relationship. The company holds the shares for the purpose of competitive and timely product development, acquisition of business opportunities, etc.	N/A
	799	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 (hereinafter "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, hereinafter "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." (hereinafter "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, 2023 (from January 1, 2023 to December 31, 2023) and the non-consolidated financial statements for the fiscal year ended December 31, 2023 (from January 1, 2023 to December 31, 2023) were audited by PricewaterhouseCoopers Japan LLC in accordance with Article 193-2, Section 1, of the Financial Instruments and Exchange Act.

PricewaterhouseCoopers Aarata LLC, the firm from which the Company has traditionally received an audit report, merged with PricewaterhouseCoopers Kyoto on December 1, 2023, and has changed its name to PricewaterhouseCoopers Japan LLC.

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 hosted by the Financial Accounting Standards Foundation, audit corporations and others.

1. Consolidated Financial Statements

(1) [Consolidated Financial Statements]

(i) Consolidated Statements of Financial Position

(In million yen)

	Notes	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Assets			
Current assets			
Cash and cash equivalents	8	336,068	434,681
Trade and other receivables	9, 34	162,623	168,991
Inventories	10	187,958	163,054
Other current financial assets	16, 34	6,688	4,660
Income taxes receivable		4,462	7,495
Other current assets	11	17,320	21,792
Total current assets		<u>715,119</u>	<u>800,673</u>
Non-current assets			
Property, plant and equipment	12, 14, 15, 19	208,042	266,139
Goodwill	7, 13, 15	1,264,275	1,362,131
Intangible assets	13, 15	488,839	421,847
Other non-current financial assets	16, 34	84,149	255,230
Deferred tax assets	17	37,876	43,385
Other non-current assets	11	14,191	17,598
Total non-current assets		<u>2,097,372</u>	<u>2,366,330</u>
Total assets		<u><u>2,812,491</u></u>	<u><u>3,167,003</u></u>

(In million yen)

	Notes	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	18, 34	222,941	243,192
Bonds and borrowings	19, 34	120,005	425,312
Other current financial liabilities	20, 34	13,838	24,311
Income taxes payable		79,025	41,414
Provisions	21	8,099	11,215
Other current liabilities	11	81,565	83,281
Total current liabilities		525,473	828,725
Non-current liabilities			
Trade and other payables	18, 34	3,382	4,140
Bonds and borrowings	19, 34	635,738	225,636
Other non-current financial liabilities	20, 34	11,301	11,371
Income taxes payable		2,551	2,757
Retirement benefit liability	22	24,102	24,598
Provisions	21	3,289	3,265
Deferred tax liabilities	17	63,757	53,528
Other non-current liabilities	11	5,435	7,395
Total non-current liabilities		749,555	332,690
Total liabilities		1,275,028	1,161,415
Equity			
Share capital	23	153,209	153,209
Capital surplus	23	348,446	359,398
Retained earnings	23	828,582	1,157,236
Treasury shares	23	(192,171)	(217,691)
Other components of equity		395,669	549,401
Total equity attributable to owners of parent		1,533,735	2,001,553
Non-controlling interests		3,728	4,035
Total equity		1,537,463	2,005,588
Total liabilities and equity		2,812,491	3,167,003

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

(In million yen)

	Notes	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Revenue	6, 25	1,500,853	1,469,415
Cost of sales		(646,864)	(635,087)
Gross profit		853,989	834,328
Selling, general and administrative expenses	26	(426,878)	(466,020)
Other income	27	17,677	38,404
Other expenses	28	(20,635)	(15,946)
Operating profit		424,153	390,766
Finance income	29	1,409	38,142
Finance costs	29	(63,280)	(6,735)
Profit before tax		362,282	422,173
Income tax expense	17	(105,512)	(84,862)
Profit		256,770	337,311
Profit attributable to			
Owners of parent		256,615	337,086
Non-controlling interests		155	225
Profit		256,770	337,311
Earnings per share	31		
Basic earnings per share (yen)		137.66	189.77
Diluted earnings per share (yen)		134.84	186.07

Consolidated Statements of Comprehensive Income

(In million yen)

	Notes	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current Fiscal Year (from January 1, 2023 to December 31, 2023)
Profit		256,770	337,311
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurements of defined benefit plans		1,913	(661)
Equity instruments measured at fair value through other comprehensive income		(130)	(475)
Total of items that will not be reclassified to profit or loss		1,783	(1,136)
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		312,709	168,396
Cash flow hedges		(11,946)	(7,015)
Cost of hedges		6,653	(2,730)
Total of items that may be reclassified subsequently to profit or loss		307,416	158,651
Total other comprehensive income	30	309,199	157,515
Total comprehensive income		565,969	494,826
Comprehensive income attributable to			
Owners of parent		565,558	494,513
Non-controlling interests		411	313
Total comprehensive income		565,969	494,826

(iii) Consolidated Statements of Changes in Equity
 Previous fiscal year (from January 1, 2022 to December 31, 2022)

(In million yen)

	Notes	Equity attributable to owners of parent						
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
						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		—	—	256,615	—	—	—	—
Other comprehensive income		—	—	—	—	—	1,913	(130)
Total comprehensive income		—	—	256,615	—	—	1,913	(130)
Issuance of new shares		6,076	6,040	—	—	—	—	—
Purchase and disposal of treasury shares	23	—	(442)	—	(192,160)	—	—	—
Share-based payment transactions	33	—	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	828,582	(192,171)	7,602	—	(1,976)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Exchange differences on translation of foreign operations	Other components of equity			Total equity attributable to owners of parent		
			Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2022		83,454	(418)	(153)	94,678	1,150,081	3,317	1,153,398
Profit		—	—	—	—	256,615	155	256,770
Other comprehensive income		312,453	(11,946)	6,653	308,943	308,943	256	309,199
Total comprehensive income		312,453	(11,946)	6,653	308,943	565,558	411	565,969
Issuance of new shares		—	—	—	—	12,116	—	12,116
Purchase and disposal of treasury shares	23	—	—	—	—	(192,602)	—	(192,602)
Share-based payment transactions	33	—	—	—	(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		395,907	(12,364)	6,500	395,669	1,533,735	3,728	1,537,463

Current Fiscal Year (from January 1, 2023 to December 31, 2023)

(In million yen)

	Notes	Equity attributable to owners of parent						
		Share capital	Capital surplus	Retained earnings	Treasury shares	Other components of equity		
						Share acquisition rights	Remeasurements of defined benefit plans	Equity instruments measured at fair value through other comprehensive income
Balance as of January 1, 2023		153,209	348,446	828,582	(192,171)	7,602	—	(1,976)
Profit		—	—	337,086	—	—	—	—
Other comprehensive income		—	—	—	—	—	(661)	(475)
Total comprehensive income		—	—	337,086	—	—	(661)	(475)
Purchase and disposal of treasury shares	23	—	2,312	—	(25,520)	—	—	—
Share-based payment transactions	33	—	1,596	—	—	(5,083)	—	—
Transfer to retained earnings		—	7,044	(8,432)	—	587	661	140
Other		—	—	—	—	—	—	—
Total transactions with owners		—	10,952	(8,432)	(25,520)	(4,496)	661	140
Balance as of December 31, 2023		153,209	359,398	1,157,236	(217,691)	3,106	—	(2,311)

	Notes	Equity attributable to owners of parent					Non-controlling interests	Total equity
		Other components of equity				Total equity attributable to owners of parent		
		Exchange differences on translation of foreign operations	Cash flow hedges	Cost of hedges	Total			
Balance as of January 1, 2023		395,907	(12,364)	6,500	395,669	1,533,735	3,728	1,537,463
Profit		—	—	—	—	337,086	225	337,311
Other comprehensive income		168,308	(7,015)	(2,730)	157,427	157,427	88	157,515
Total comprehensive income		168,308	(7,015)	(2,730)	157,427	494,513	313	494,826
Purchase and disposal of treasury shares	23	—	—	—	—	(23,208)	—	(23,208)
Share-based payment transactions	33	—	—	—	(5,083)	(3,487)	—	(3,487)
Transfer to retained earnings		—	—	—	1,388	—	—	—
Other		—	—	—	—	—	(6)	(6)
Total transactions with owners		—	—	—	(3,695)	(26,695)	(6)	(26,701)
Balance as of December 31, 2023		564,215	(19,379)	3,770	549,401	2,001,553	4,035	2,005,588

(iv) Consolidated Statements of Cash Flows

(In million yen)

	Notes	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Cash flows from operating activities			
Profit before tax		362,282	422,173
Depreciation and amortization		186,049	186,009
Impairment losses		7,719	4,872
Finance income and finance costs		9,959	(22,847)
Share-based payment expenses		18,144	23,283
Insurance claim income		(1,467)	(30,665)
Foreign exchange loss (gain)		42,997	(7,589)
Loss (gain) on sales of property, plant and equipment, and intangible assets		(9,583)	(1,337)
Decrease (increase) in inventories		(41,546)	30,070
Decrease (increase) in trade and other receivables		(7,886)	5,126
Decrease (increase) in other financial assets		(29,303)	(6,786)
Increase (decrease) in trade and other payables		13,882	2,438
Increase (decrease) in retirement benefit liability		(4,600)	(303)
Increase (decrease) in provisions		(4,414)	2,112
Increase (decrease) in other current liabilities		(286)	(6,972)
Increase (decrease) in other financial liabilities		(1,454)	(3,987)
Other		(7,826)	(5,773)
Subtotal		532,667	589,824
Interest received		491	25,286
Dividends received		219	388
Proceeds from insurance income		1,467	17,332
Income taxes paid		(55,519)	(136,203)
Net cash flows from operating activities		479,325	496,627
Cash flows from investing activities			
Purchase of property, plant and equipment		(66,135)	(88,223)
Proceeds from sales of property, plant and equipment		10,627	1,783
Purchase of intangible assets		(22,064)	(40,904)
Purchase of other financial assets		(5,602)	(5,548)
Proceeds from sales of other financial assets		1,268	676
Payments for acquisitions of subsidiaries	7	(6,748)	(9,738)
Payments for settlement of contingent consideration for subsidiary shares		(2,103)	(210)
Proceeds from insurance income		—	13,333
Proceeds from government grant income		—	5,493
Payments for long-term loans receivable		—	(144,150)
Other		(6,766)	(4)
Net cash flows from investing activities		(97,523)	(267,492)
Cash flows from financing activities			
Proceeds from short-term borrowings	32	50,000	—
Repayments of short-term borrowings	32	(51,180)	—
Proceeds from long-term borrowings	32	47,096	—
Repayments of long-term borrowings	32	(128,767)	(120,015)
Purchase of treasury shares	23	(200,000)	(50,000)
Repayments of lease liabilities	32	(5,901)	(5,796)
Interest paid		(5,947)	(5,424)
Other		(71)	(12)
Net cash flows from financing activities		(294,770)	(181,247)

(In million yen)

	Notes	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Effect of exchange rate changes on cash and cash equivalents		27,112	50,725
Net increase (decrease) in cash and cash equivalents		114,144	98,613
Cash and cash equivalents at beginning of the period	8	<u>221,924</u>	<u>336,068</u>
Cash and cash equivalents at end of the period	8	<u><u>336,068</u></u>	<u><u>434,681</u></u>

Notes to Consolidated Financial Statements

1. Reporting Entity

Renesas Electronics Corporation (hereinafter “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 (hereinafter “the Group”) are composed of the Company, its subsidiaries and interests of the Group in its associates, with December 31, 2023 as the closing date. The Group engages in research, development, design, 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, 2023 were approved on March 28, 2024 by Hidetoshi Shibata, Representative Executive Officer, 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 presentation

(Consolidated Statements of Cash Flows)

Within cash flows from operating activities category, “Insurance claim income” and “Proceeds from insurance income,” which was disclosed in “Other” for the year ended December 31, 2022, has been presented separately for the year ended December 31, 2023 due to the increase in its materiality.

As a result, in the consolidated statements of cash flows for the year ended December 31, 2022, “Insurance claim income” of (1,467) million yen and “Proceeds from insurance income” of 1,467 million yen are separately presented under cash flows from operating activities. Consequently, “Subtotal” of cash flows from operating activities has been revised from 534,134 million yen to 532,667 million yen.

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 to former owners of the acquiree, 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.

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 since the initial recognition.

If the credit risk of financial instruments has not increased significantly since 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 since 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 the 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 and others. 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.

(a) 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.

(b) Derivatives that do not meet requirements for hedge accounting

Changes in fair value are recognized in profit or loss.

D. Difference between the fair value at initial recognition and the transaction price

In cases where the transaction price of a financial instrument differs from its fair value at the initial recognition, and the fair value is determined using unobservable inputs, the difference between the transaction price and fair value is deferred. This difference is recognized in profit or loss either when amortized over the term of the contract using the straight-line method or when the financial instrument is derecognized.

(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 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 mainly amortized using the straight-line method based on the available period (15 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 reasonably 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 normal 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 to the Group, 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. For grants related to assets, the grant amount is directly deducted from the acquisition cost.

(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) and Performance Share Unit (PSU), 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. In cases where rights expire or not exercised after vesting, the reversal amount of the share-based payment is directly transferred to retained earnings.

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

Also, revenue is measured at the amount 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 we record sales to the specific distributors, we accrue 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. We accrue refund liabilities related to the stock rotation program at every closing date and deducts 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, the transfer of amounts previously recognized in other comprehensive income, and others. Interest income is recognized at the time of occurrence using the effective interest method. Dividend income is 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, the transfer of amounts previously recognized in other comprehensive income and others. 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 statements 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 differences arising from the initial recognition of an asset or liability in transactions (excluding business combination) that do not impact accounting profits and taxable profits or losses, and that do not give rise to taxable temporary difference and deductible temporary difference in the same amount.
- 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 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 statements of profit or loss and the consolidated statements 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 judgements, 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 results of the review of these estimates are reflected in the period when the estimates are revised and for the future periods.

Estimates and assumptions that have a significant impact on the amounts recognized in 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 statements 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, it could have a significant impact on the amounts recognized in the consolidated financial statements of subsequent periods.

(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 34. 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

None of the new standards and interpretations that were newly issued or revised as of the date of the approval of the consolidated financial statements have a material impact on the Group's consolidated financial statements.

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 mainly consists of "Automotive Business" and "Industrial/Infrastructure/loT 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 and instrument panels used to give various information to the driver of the vehicle. The Group mainly supplies MCUs, SoCs, analog semiconductor devices and power semiconductor devices in each of these categories. The Industrial/Infrastructure/loT Business includes the product categories "Industrial," "Infrastructure" and "loT" 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 revenue, 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, 2022 to December 31, 2022)

(In million yen)

	Reportable segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ loT					
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 operating profit	219,216	331,772	3,394	5,004	559,386	(135,233)	424,153
Finance income							1,409
Finance costs							(63,280)
Profit before tax							362,282
(Other items)							
Depreciation and amortization	42,042	37,790	—	—	79,832	106,217	186,049

Current Fiscal Year (from January 1, 2023 to December 31, 2023)

(In million yen)

	Reportable segments		Other	Adjustments 1	Total	Adjustments 2	Consolidation basis
	Automotive	Industrial/ Infrastructure/ IoT					
Revenue from external customers	695,040	764,707	9,960	—	1,469,707	(292)	1,469,415
Segment gross profit	363,197	470,756	3,482	—	837,435	(3,107)	834,328
Segment operating profit	238,713	259,029	3,482	414	501,638	(110,872)	390,766
Finance income							38,142
Finance costs							(6,735)
Profit before tax							422,173
(Other items)							
Depreciation and amortization	40,492	39,760	—	—	80,252	105,757	186,009

(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 million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Japan	376,795	376,658
China	424,150	359,069
Asia (Excluding Japan and China)	319,311	310,580
Europe	236,683	261,917
North America	137,815	155,878
Others	6,099	5,313
Total	1,500,853	1,469,415

(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 million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Japan	1,586,223	1,705,320
Malaysia	229,101	194,670
North America	66,362	69,518
Europe	41,022	41,943
Asia (Excluding Japan and Malaysia)	38,446	38,666
Others	2	—
Total	1,961,156	2,050,117

(5) Major customers

There was no external customer accounting for 10% or more of revenue in the consolidated statements of profit or loss, and therefore, information is omitted.

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, 2022 to December 31, 2022))

(Dialog Semiconductor Plc)

As of December 31, 2021, 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 previous 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 million 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 expected synergies with existing business and future excess earning power arising from the acquisition of Dialog Semiconductor Plc (hereinafter "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.

Dialog changed its company name from Dialog Semiconductor Plc to Dialog Semiconductor Limited on September 14, 2021.

(Celeno Communications Inc.)

As of December 31, 2021, 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 previous 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 the previous fiscal year.

Fair value of assets acquired and liabilities assumed on the acquisition date (December 20, 2021)

(In million 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 expected synergies with existing business and future excess earning power arising from the acquisition of Celeno Communications Inc. (hereinafter "Celeno"). No amount of goodwill is expected to be deductible for tax purposes.

Celeno changed its company name from Celeno Communications Inc. to Renesas Semiconductor Design US Inc. on September 29, 2023.

(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”) 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

Consideration	(In million yen)	
		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 year ended December 31, 2022.

c. Fair value of assets acquired, liabilities assumed and goodwill

		(In million yen)
		Date of acquisition (October 17, 2022)
		<hr/>
Current assets		
Cash and cash equivalents		101
Trade and other receivables (Note 2)		2
Income taxes receivable		19
Other		51
Total current assets		<hr/> 173
Non-current assets		
Property, plant and equipment		19
Intangible assets		5
Deferred tax assets		2
Total non-current assets		<hr/> 26
Total assets		<hr/> 199
Current liabilities		
Trade and other payables		16
Income taxes payable		13
Other		739
Total current liabilities		<hr/> 768
Non-current liabilities		
Retirement benefit liability		5
Other		14
Total non-current liabilities		<hr/> 19
Total liabilities		<hr/> 787
Net assets	B	<hr/> (588)
Goodwill (Note 3)	A-B	<hr/> <hr/> 7,609

- (Note) 1. As of December 31, 2022, the acquisition was accounted for using provisional amounts determined based on reasonable information available as of December 31, 2022, 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. As of December 31, 2022, 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 expected synergies with existing business and future excess earning power arising from the acquisition of Steradian. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

		(In million yen)
Item		Amount
		<hr/>
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)		<hr/> 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 previous fiscal year would not be material.

f. Revenue and profit / loss of the acquired company

For the previous fiscal year, the revenue and profit of Steradian from the acquisition date to December 31, 2022 had no significant impact on the consolidated financial statements.

g. 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 statements of comprehensive income.

(Current Fiscal Year (from January 1, 2023 to December 31, 2023))

(Celeno Communications Inc.)

Contingent consideration includes at most \$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.

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Beginning balance	4,681	1,265
Settlement	(2,205)	(40)
Changes in fair value	(2,201)	(1,235)
Exchange differences	990	10
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" or "Other expenses." For the previous fiscal year, other income of 2,464 million yen and finance costs of 263 million yen were recorded for the change of fair value. For the current fiscal year, other income of 1,242 million yen and finance costs of 7 million yen were recorded for the change of fair value.

(Steradian Semiconductors Private Limited)

As of December 31, 2022, 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 three months ended March 31, 2023, the Group has completed the purchase price allocation and revised the goodwill amount as follows. Adjustment in consideration for the acquisition is reflected for the three months ended March 31, 2023.

Fair value of assets acquired, liabilities assumed on the acquisition date (October 17, 2022)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note)	7,609
Intangible assets	(1,593)
Deferred tax liabilities	264
Adjustment in consideration for the acquisition	88
Total adjustments	(1,241)
Goodwill (after adjustment) (Note)	6,368

(Note) Goodwill reflects expected synergies with existing business and future excess earning power arising from the acquisition of Steradian. No amount of goodwill is expected to be deductible for tax purposes.

The consolidated statements of financial position as of December 31, 2022 has been revised upon the completion of the purchase price allocation. After the revision, goodwill has decreased by 1,182 million yen and intangible assets has increased by 1,401 million yen.

In addition, the impact of the revision on the consolidated statements of profit or loss and consolidated statements of comprehensive income for the previous fiscal year is immaterial.

Contingent consideration includes at most \$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 million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Beginning balance	—	1,078
Increase due to the business combination	1,207	—
Changes in fair value	—	(558)
Exchange differences	(129)	66
Ending balance	1,078	586

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" or "Other expenses." For the current fiscal year, other income of 558 million yen was recorded for the change of fair value.

(Panthronics AG)

a. Overview of business combination

On June 1, 2023, the Company completed the acquisition of Panthronics, a semiconductor company headquartered in Austria, through a wholly-owned subsidiary. Following the completion of the acquisition, Panthronics has become a wholly-owned subsidiary of the Company. Panthronics changed its company name from Panthronics AG to Renesas Design Austria GmbH on October 12, 2023.

1) Name and overview of the acquiree

Name of the acquiree: Panthronics AG.

Business overview: Development and sales of semiconductor solutions such as Near-Field Communication (NFC).

2) Date of the acquisition

June 1, 2023. (Central European Summer Time)

3) Purpose of the acquisition

Headquartered in Austria, Panthronics has been offering advanced NFC chipsets and software. NFC 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. Acquiring Panthronics' competitive NFC technology provides Renesas with in-house capability to instantly capture growing and emerging market opportunities for NFC.

Combining Panthronics' NFC technology with Renesas' broad product portfolio and security functions in microcontrollers (MCU) / microprocessors (MPU) provides Renesas' wide customer base with a multitude of options to create innovative, ready-to-market NFC system solutions.

4) Acquisition Method

Acquisition of shares for cash consideration via a wholly-owned subsidiary.

b. Consideration for the acquisition and its breakdown

Consideration	(In million yen)	
	Amount	
Cash		9,801
Contingent consideration		2,794
Total	A	12,595

Expenses related to the acquisition were 245 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 million yen)
		Date of acquisition (June 1, 2023)
Current assets		
Cash and cash equivalents		63
Trade and other receivables (Note 2)		662
Inventories		152
Other		44
Total current assets		921
Non-current assets		
Property, plant and equipment		35
Intangible assets		4,872
Other financial assets		9
Deferred tax assets		1,123
Total non-current assets		6,039
Total assets		6,960
Current liabilities		
Trade and other payables		360
Bonds and borrowings		1,893
Other		1,210
Total current liabilities		3,463
Non-current liabilities		
Deferred tax liabilities		1,123
Total non-current liabilities		1,123
Total liabilities		4,586
Net assets	B	2,374
Goodwill (Note 3)	A-B	10,221

(Note) 1. As of September 30, 2023, 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 (June 1, 2023)

(In million yen)

Adjusted items	Adjustments of goodwill
Goodwill (before adjustment) (Note 3)	15,073
Intangible assets	(4,852)
Deferred tax assets	(1,123)
Deferred tax liabilities	1,123
Total adjustments	(4,852)
Goodwill (after adjustment) (Note 3)	10,221

(Note) 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 expected synergies with existing business and future excess earning power arising from the acquisition of Panthronics. No amount of goodwill is expected to be deductible for tax purposes.

d. Payments for acquisition of subsidiaries

(In million yen)

Item	Amount
Consideration for acquisition in cash	9,801
Cash and cash equivalents held by the acquiree at the time of obtaining control	(63)
Amount of cash paid for the acquisition of subsidiaries (net amount)	9,738

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 Panthronics 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 Panthronics from the acquisition date to December 31, 2023 had no significant impact on the consolidated financial statements.

g. Contingent consideration

Contingent consideration includes at most \$61 million which will be paid when certain conditions related to Panthronics'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 Panthronics, 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 million yen)

	Current fiscal year (from January 1, 2023 to December 31, 2023)
Beginning balance	—
Increase due to the business combination	2,794
Changes in fair value	(223)
Exchange differences	140
Ending balance	2,711

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" or "Other expenses." For the current fiscal year, other income of 223 million yen was recorded for the change of fair value.

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 statements of financial position and the balance of "Cash and cash equivalents" in the consolidated statements of cash flows as of the end of the previous fiscal year and the end of the current fiscal year are the same.

(In million yen)

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Cash and deposits	313,413	352,426
Short-term investments	22,655	82,255
Total	336,068	434,681

(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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Notes and trade receivables	158,242	160,590
Other receivables	4,538	8,838
Loss allowance	(157)	(437)
Total	162,623	168,991

(Note) Trade and other receivables are classified as financial assets measured at amortized cost.

10. Inventories

The components of inventories are as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Merchandise and finished goods	53,282	38,793
Work in progress	119,727	106,420
Raw materials and supplies	14,949	17,841
Total	187,958	163,054

(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 6,292 million yen and 9,734 million yen were included in "Cost of sales" in the previous fiscal year and the current fiscal year, respectively.

11. Other Assets and Other Liabilities

The components of other current assets and other non-current assets are as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Prepaid expenses	24,922	27,247
Consumption taxes receivable	2,376	5,192
Other	4,213	6,951
Total	31,511	39,390
Current assets	17,320	21,792
Non-current assets	14,191	17,598

The components of other current liabilities and other non-current liabilities are as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Accrued expenses	62,994	58,791
Paid leave payables	11,456	13,184
Other	12,550	18,701
Total	87,000	90,676
Current liabilities	81,565	83,281
Non-current liabilities	5,435	7,395

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 million 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, 2022)	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 at the end of previous fiscal year (as of December 31, 2022)	193,635	637,679	153,414	25,070	23,778	14,194	1,047,770
Acquisition	293	6,094	3,897	7,363	—	95,972	113,619
Acquisition due to business combination	—	24	11	—	—	—	35
Sales or disposal	(1,224)	(6,684)	(12,156)	(5,706)	(22)	(43)	(25,835)
Transfer from construction in progress	10,136	25,966	13,270	—	1	(49,373)	—
Exchange differences	2,133	9,613	2,993	1,593	217	486	17,035
Other	245	1,337	(148)	(62)	—	1,204	2,576
Balances at the end of the current fiscal year (as of December 31, 2023)	205,218	674,029	161,281	28,258	23,974	62,440	1,155,200

B. Accumulated depreciation and impairment losses

(In million 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, 2022)	(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 at the end of the previous fiscal year (as of December 31, 2022)	(140,575)	(558,418)	(127,291)	(11,831)	(1,613)	—	(839,728)
Depreciation	(6,077)	(31,252)	(14,900)	(5,236)	—	—	(57,465)
Impairment losses	(435)	(12)	(385)	(1,565)	—	—	(2,397)
Sales or disposal	923	6,503	11,946	5,105	—	—	24,477
Exchange differences	(1,022)	(7,568)	(2,501)	(850)	—	—	(11,941)
Other	166	(1,246)	(1,018)	91	—	—	(2,007)
Balances at the end of the current fiscal year (as of December 31, 2023)	(147,020)	(591,993)	(134,149)	(14,286)	(1,613)	—	(889,061)

C. Carrying amount

(In million 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, 2022)	53,675	73,167	21,856	15,983	22,347	11,137	198,165
Balances at the end of the previous fiscal year (as of December 31, 2022)	53,060	79,261	26,123	13,239	22,165	14,194	208,042
Balances at the end of the current fiscal year (as of December 31, 2023)	58,198	82,036	27,132	13,972	22,361	62,440	266,139

- (Note) 1. The amount of the government grant received for the acquisition of property, plant and equipment is 1,068 million yen for the current fiscal year. The grant amount is directly deducted from the acquisition cost. There are no unfulfilled conditions or other contingent liabilities associated with the government grants.
2. The amount of property, plant and equipment under construction is presented as construction in progress.
3. For property, plant and equipment on which a mortgage is placed as collateral for liabilities, see "Note 19. Bonds and Borrowings."
4. For commitments to the acquisition of property, plant and equipment, see "Note 37. Commitments and Contingent Liabilities."
5. Depreciation is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.
6. Impairment losses are included in "Other expenses" in the consolidated statements of profit or loss. For details on impairment losses, see "Note 15. Impairment of Non-financial Assets."
7. There are no borrowing costs included in the cost of property, plant and equipment.
8. 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 million 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, 2022)	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	8,081	—	—	1,598	—	—	1,598
Reclassification	—	—	—	908	—	(908)	—
Sales or disposal	—	(2,494)	(1,715)	(1,264)	—	(2,400)	(7,873)
Exchange differences	166,742	829	—	81,653	20,378	6,859	109,719
Other	—	(25)	—	227	—	(285)	(83)
Balances at the end of the previous fiscal year (as of December 31, 2022)	1,264,275	81,752	6,166	634,015	163,499	118,459	1,003,891
Internally developed	—	1,462	691	—	—	—	2,153
Acquisitions	—	3,136	—	—	—	20,303	23,439
Acquisition due to business combination	10,221	—	—	4,872	—	—	4,872
Sales or disposal	—	(1,230)	(1,520)	—	—	(11,592)	(14,342)
Exchange differences	87,239	463	—	42,670	10,523	2,271	55,927
Other	396	354	—	—	—	(5)	349
Balances at the end of the current fiscal year (as of December 31, 2023)	1,362,131	85,937	5,337	681,556	174,022	129,436	1,076,289

B. Accumulated amortization and impairment losses

(In million 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, 2022)	—	(67,466)	(3,783)	(194,395)	(33,950)	(54,677)	(354,271)
Amortization	—	(5,266)	(1,363)	(84,117)	(14,852)	(19,300)	(124,898)
Impairment losses	—	—	—	—	—	(7,007)	(7,007)
Sales or disposal	—	2,494	1,715	1,264	—	2,081	7,554
Exchange differences	—	(705)	—	(28,977)	(3,945)	(3,086)	(36,713)
Other	—	105	1	—	—	177	283
Balances at the end of the previous fiscal year (as of December 31, 2022)	—	(70,838)	(3,430)	(306,225)	(52,747)	(81,812)	(515,052)
Amortization	—	(3,789)	(1,223)	(87,108)	(16,013)	(16,830)	(124,963)
Impairment losses	—	—	—	—	—	(2,475)	(2,475)
Sales or disposal	—	1,229	1,520	—	—	11,329	14,078
Exchange differences	—	(417)	—	(21,158)	(3,137)	(1,311)	(26,023)
Other	—	26	—	—	—	(33)	(7)
Balances at the end of the current fiscal year (as of December 31, 2023)	—	(73,789)	(3,133)	(414,490)	(71,897)	(91,133)	(654,442)

C. Carrying amount

(In million 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, 2022)	1,089,452	12,749	3,347	356,498	109,171	53,013	534,778
Balances at the end of the previous fiscal year (as of December 31, 2022)	1,264,275	10,914	2,736	327,790	110,752	36,647	488,839
Balances at the end of the current fiscal year (as of December 31, 2023)	1,362,131	12,148	2,204	267,066	102,126	38,304	421,847

- (Note) 1. For software in intangible assets, the carrying amount classified as internally generated assets was 526 million yen as of December 31, 2022 and 451 million yen as of December 31, 2023.
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 21,096 million yen as of December 31, 2022 and 22,501 million yen as of December 31, 2023. 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 37. Commitments and Contingent Liabilities."

6. Amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statements of profit or loss.
7. Impairment losses are included in “Other expenses” in the consolidated statements 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 and customer relationships 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 327,790 million yen as of December 31, 2022 and 267,066 million yen as of December 31, 2023 (of which the carrying amount of developed technology identified under Dialog's PPA are 134,474 million yen and 113,131 million yen, respectively), and the remaining amortization period as of December 31, 2023 is 1 to 14 years. The carrying amount of customer relationships was 110,752 million yen as of December 31, 2022 and 102,126 million yen as of December 31, 2023, and the remaining amortization period as of December 31, 2023 is 2 to 10 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 6,768 million yen as of December 31, 2022 and 4,850 million yen as of December 31, 2023 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. The amount of reclassification was 908 million yen for the year ended December 31, 2022.

14. Leases

(1) Leases as lessee

A. Lease expenses, income and cash flows

Lease expenses, income and cash flows are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Depreciation charge for right-of-use assets by class of underlying asset		
Land	89	46
Buildings	3,892	4,256
Machinery, equipment and vehicles	1,078	731
Tools, furniture and fixtures	160	203
Total	5,219	5,236
Interest expense on lease liabilities	211	327
Expense relating to short-term leases	3,079	2,911
Expense relating to leases of low-value assets (excluding short-term leases)	488	472
Expense relating to variable lease payments which are not reflected in the measurement of lease liabilities	—	—
Income from subleasing right-of-use assets	—	109
Total cash outflows for leases	9,678	9,506
Gain (loss) from sale and leaseback transactions	(66)	—

(Note) For details on the maturity analysis for lease liabilities, see "Note 34. Financial Instruments."

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 million yen)

	Balance as of December 31, 2022	Balance as of December 31, 2023
Land	44	314
Buildings	10,606	11,559
Machinery, equipment and vehicles	2,295	1,750
Tools, furniture and fixtures	294	349
Total	13,239	13,972
The increased amount of right-of-use asset	3,097	7,363

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 statements of profit or loss.

The components of assets for which the impairment losses are recorded are as follows.

Previous fiscal year (from January 1, 2022 to December 31, 2022)

(In million 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

Current Fiscal Year (from January 1, 2023 to December 31, 2023)

(In million yen)

	Reportable segments		Total
	Automotive	Industrial/ Infrastructure/IoT	
Property, plant and equipment	1,498	899	2,397
Intangible assets	—	2,475	2,475
Total	1,498	3,374	4,872

(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 424 million yen and 1,565 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 and 2,349 million yen for the previous fiscal year and the current fiscal year, respectively.

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 previous fiscal year.

(1) Impairment losses

The Group assesses impairment at the grouping level of the 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, idle assets and business assets.

Previous 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 reduces 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-generating units, reduces the carrying amount of idle assets that are unlikely to be used to their recoverable amount, and has 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.

Current fiscal year (from January 1, 2023 to December 31, 2023)

(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 reduces the carrying amount of assets to their recoverable amount. As a result, the Group has recorded impairment losses of 118 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-generating units, reduces the carrying amount of idle assets that are unlikely to be used to their recoverable amount, and has recorded impairment losses of 2,405 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 statements of financial position was recognized mainly when the Company merged with former Intersil for the year ended December 31, 2017, former IDT for the year ended December 31, 2019, Dialog for the year ended December 31, 2021, and it is allocated to the cash-generating units of the Group expected to provide future 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 million yen)	
Reportable segments	Cash-generating units	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)	
Goodwill	Automotive	Automotive	309,484	330,858
	Industrial/ Infrastructure/IoT	Industrial/ Infrastructure/IoT	954,791	1,031,273
In-process research and development	Automotive	Automotive	1,991	2,127
	Industrial/ Infrastructure/IoT	Industrial/ Infrastructure/IoT	4,777	2,723

(Note) Regarding the goodwill recognized in connection with the acquisition of Steradian in the previous fiscal year, goodwill was 6,052 million yen as a result of reassessing the allocation of the acquisition cost in the current fiscal year. 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.

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 2.0% the current fiscal year (1.8% 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 10.3% in the Automotive Business in the current fiscal year (13.9% in the previous fiscal year) and 12.1% in the Industrial/Infrastructure/IoT Business in the current fiscal year (15.7% 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	1.3~2.3%	1.5~2.5%
	Industrial/ Infrastructure/IoT		
Discount rate before tax	Automotive	11.9~15.9%	8.3~12.3%
	Industrial/ Infrastructure/IoT	12.7~18.7%	9.1~15.1%

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 million yen)

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Loans receivable (Note 1)	—	145,369
Long-term accounts receivable (Note 2)	41,841	50,374
Derivative assets (Note 1)	21,945	30,132
Stocks (Note 3)	10,749	14,760
Investment trust (Note 1)	5,900	8,124
Other (Note 4)	10,402	11,131
Total	90,837	259,890
Current assets	6,688	4,660
Non-current assets	84,149	255,230

- (Note) 1. Loans receivable, derivative assets and investment trust are mainly classified as financial assets measured at fair value through profit or loss. For details, please refer to “Note 34. Financial Instruments.”
2. 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.”
3. 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 34. Financial Instruments”).
4. 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 measured at fair value through other comprehensive income are as follows.

(In million yen)

Company name	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Sifive, Inc.	—	3,082
LeddarTech Inc.	1,327	1,418

(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 in the previous fiscal year and the current fiscal year.

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 million yen)

	As of January 1, 2022	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	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)	5,676	—	(264)	(80,741)
Tax on undistributed earnings	(8,676)	(666)	—	—	(9,342)
Total income from specified foreign subsidiaries and others	(1,459)	607	—	—	(852)
Other	(4,598)	(7,007)	2,456	—	(9,149)
Subtotal	(100,886)	(1,390)	2,456	(264)	(100,084)
Net deferred tax assets (liabilities)	(23,251)	(4,073)	1,627	(184)	(25,881)

(Current fiscal year)

(In million yen)

	As of January 1, 2023	Recognized in profit or loss	Recognized in other comprehensive income	Business combination	As of December 31, 2023
Deferred tax assets					
Inventories	5,354	(92)	—	—	5,262
Property, plant and equipment and other	6,892	(1,458)	—	1,123	6,557
Research and development expense	7,469	1,486	—	—	8,955
Accrued expenses	20,459	(4,230)	—	—	16,229
Retirement benefit liability	3,320	(174)	115	—	3,261
Carryforward of unused tax losses	4,185	(715)	—	—	3,470
Carryforward of unused tax credits	4,599	(2,409)	—	—	2,190
Other	21,925	9,131	—	—	31,056
Subtotal	74,203	1,539	115	1,123	76,980
Deferred tax liabilities					
Intangible assets and other	(80,741)	13,018	—	(1,123)	(68,846)
Tax on undistributed earnings	(9,342)	(1,856)	—	—	(11,198)
Total income from specified foreign subsidiaries and others	(852)	(109)	—	—	(961)
Other	(9,149)	(1,299)	4,330	—	(6,118)
Subtotal	(100,084)	9,754	4,330	(1,123)	(87,123)
Net deferred tax assets (liabilities)	(25,881)	11,293	4,445	—	(10,143)

(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 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.

In the tax reform for fiscal year 2023 in Japan, a corporate tax designed to comply with the BEPS Global Minimum Tax rules was established, and the law incorporating these provisions (hereinafter "Global Minimum Tax System") was enacted on March 28, 2023 (Act for the Partial Revision of the Income Tax Law (hereinafter the "Amended Corporate Tax Law")). The Amended Corporate Tax Law introduces the Income Inclusion Rule (IIR), a component of the Global Minimum Tax System. From the fiscal year starting on January 1, 2025, subsidiaries of parent companies residing in Japan will be subject to additional (top-up) taxation until their tax burden reaches the minimum tax rate of 15%. The Group applies the exceptions as defined under amendments to IAS 12 published on May 2023 and no deferred tax assets or liabilities related to this have been recognized as of December 31, 2023.

The Group has no material exposure to the related current tax but is assessing its exposure to the implementation of the Global Minimum Tax System.

Due to the complexity of the application of the Global Minimum Tax System and the calculation of GloBE income, the quantitative impact of enacted or substantively enacted laws is not yet reasonably estimable and we are currently engaging a tax specialist to assist in the application of the Global Minimum Tax System.

(2) Deductible temporary differences and others 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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Deductible temporary differences	594	790
Carryforward of unused tax losses	9,521	11,038
Carryforward of unused tax credits	24,177	26,876
Total	34,292	38,704

(Note) Deductible temporary differences, carryforward of unused tax losses and carryforward of unused tax credits are 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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
First year	—	—
Second year	—	—
Third year	—	—
Fourth year	—	126
Fifth year or thereafter	9,521	10,912
Total	9,521	11,038

The expiration schedule of the carryforward of unused tax credits for which no deferred tax assets are recognized is as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
First year	53	55
Second year	54	57
Third year	55	—
Fourth year	—	—
Fifth year or thereafter	24,015	26,764
Total	24,177	26,876

The Group has transitioned from the consolidated taxation system to the group tax sharing system in Japan from the current fiscal year. 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 and the group tax sharing system in Japan. The amount of the carryforward of unused tax losses for local taxes (residential tax and business tax) was 2,404 million yen for residential tax and 6,751 million yen for business tax in the previous fiscal year (as of December 31, 2022) and 2,173 million yen for residential tax and 6,177 million yen for business tax in the current fiscal year (as of December 31, 2023).

(3) Components of income tax expense

The components of income tax expense are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Current tax expense		
Current tax expense	111,222	101,170
Tax expense from previous periods	489	(1,752)
Total current tax expense	111,711	99,418
Deferred tax expense		
Origination and reversal of temporary differences	(3,489)	3,108
Effects from tax regulation changes	(10)	(1)
Revaluation of deferred tax assets	(2,730)	(17,747)
Other	30	84
Total deferred tax expense	(6,199)	(14,556)
Total income tax expense	105,512	84,862

- (Note) 1. Current tax expense in the previous fiscal year and 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.
2. Deferred tax expense in the previous fiscal year and 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.
3. Deferred tax expense in the previous fiscal year and 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.

(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, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Statutory effective tax rate (Note)	31.5	31.5
Changes in unrecognized deferred tax assets	1.3	(4.2)
Permanent differences	(0.6)	(2.4)
Foreign tax rate differences	(0.5)	(0.2)
Tax credits	(3.7)	(4.9)
Tax on undistributed earnings	0.2	0.4
Other	1.0	(0.0)
Average effective tax rate	29.1	20.1

- (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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Trade payables	105,362	99,957
Other payables	41,206	51,878
Electronically recorded obligations	13,940	15,332
Refund liabilities	65,815	80,165
Total	226,323	247,332
Current liabilities	222,941	243,192
Non-current liabilities	3,382	4,140

(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 million yen)					
	Issuance date	Maturity date	Interest rate	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
USD-denominated Senior Notes due 2024 (Green Bonds) (Note 3)	November 26, 2021	November 26, 2024	1.543%	66,350	70,915
USD-denominated Senior Notes due 2026 (Note 3)	November 26, 2021	November 25, 2026	2.170%	112,795	120,556
Total				179,145	191,471
Reclassification to bond issuance costs				(556)	(374)
Current liabilities				—	70,915
Non-current liabilities				178,589	120,182

(Note) 1. Bonds are classified as financial liabilities measured at amortized cost.

2. For the balance of bonds by maturity, see "Note 34. 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 850 million, Interest rate: 2.170%, Maturity Date: November 25, 2026) on November 26, 2021, raising a total of USD 1,350 million. 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 34. Financial Instruments."

(2) The breakdown of borrowings are as follows. (In million yen)

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)	Average interest rate (Note 4)	Maturity
Current portion of long-term borrowings	120,005	354,397	0.778%	—
Long-term borrowings (Excluding current portion)	458,865	106,284	0.487%	From Dec.2026 to Jun.2027
Total	578,870	460,681	—	—
Less: Arrangement fee	(1,716)	(830)		
Current liabilities	120,005	354,397		
Non-current liabilities	457,149	105,454		

The components of borrowings are as follows.

		(In million yen)	
	Term of borrowing	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Syndicated loan A (Note 6)	From Mar.2019 to Mar.2024	24,796	4,959
Syndicated loan B (Note 6)	From Mar.2019 to Mar.2024	196,434	160,718
Syndicated loan C (Note 6)	From Jun.2019 to Jun.2024	135,545	135,535
Loan contract on December 23, 2021 (Note 7)	From Dec.2021 to Dec.2026	70,220	44,440
JBIC loan contract on December 23, 2021 (Note 7)	From Dec.2021 to Dec.2026	105,331	66,663
Loan contract on June 28, 2022 (Note 8)	From Jun.2022 to Jun.2027	26,540	28,366
Loan contract on June 30, 2022 (Note 8)	From Jun.2022 to Jun.2027	20,000	20,000
Others (Note 5)	—	4	—
Total		578,870	460,681

- (Note) 1. Borrowings are classified as financial liabilities measured at amortized cost.
2. For the balance of borrowings by maturity, see "Note 34. 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 December 31, 2023.
5. Others mainly include short-term borrowings of overseas subsidiaries.
6. 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.
7. 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.
8. 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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Buildings and structures	30,844	34,853
Machinery, equipment and vehicles	38,912	39,321
Land	16,264	16,245
Total	86,020	90,419

(Note) Other than the above, stock of subsidiary (638,841 million yen for the previous fiscal year and 638,841 million yen for the current fiscal year) which are eliminated in the consolidated statements of financial position, are collateralized.

B. Liabilities corresponding to assets pledged as collateral

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Current portion of long-term borrowings	64,449	177,553
Long-term borrowings (Excluding current portion)	245,423	68,326
Total	309,782	245,879

20. Other Financial Liabilities

The components of other financial liabilities are as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Lease liabilities	14,269	16,712
Derivative liabilities (Note 1)	8,342	15,672
Contingent consideration (Note 1, 2)	2,528	3,298
Total	25,139	35,682
Current liabilities	13,838	24,311
Non-current liabilities	11,301	11,371

(Note) 1. Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss. For details, please refer to "Note 34. 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 million yen)

	Asset retirement obligations	Provision for business restructuring	Provision for loss on litigation	Other provisions	Total
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
Increase during the period	451	5,832	461	454	7,198
Decrease during the period (payment)	(189)	(2,934)	(469)	(1,049)	(4,641)
Decrease during the period (reversal)	(39)	—	—	(63)	(102)
Period interest expense in discount calculation	18	—	—	—	18
Other	65	184	319	51	619
Balances as of December 31, 2023	3,548	4,488	6,052	392	14,480
Current liabilities	441	4,330	6,052	392	11,215
Non-current liabilities	3,107	158	—	—	3,265

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 37. Commitments and Contingent Liabilities, (5) 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 and others 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 statements of financial position

The amounts recognized in the consolidated statements of financial position are as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Present value of obligations of the funded defined benefit plans (with plan assets)	102,909	100,517
Fair value of plan assets	(134,727)	(141,995)
Funded status	(31,818)	(41,478)
Impact of asset ceiling	32,378	42,323
Present value of obligations of the unfunded defined benefit plans (without plan assets)	23,542	23,753
Net amount of liabilities (assets) pertaining to defined benefits recognized in the consolidated statements of financial position	24,102	24,598
Retirement benefit liability	24,102	24,598
Retirement benefit asset	—	—

As of December 31, 2022, 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.

As of December 31, 2023, the present value of obligations of the funded defined benefit plans (with and without plan assets) was 99,837 million yen for domestic plans and 24,433 million yen for overseas plans. The fair value of plan assets was (125,882) million yen for domestic plans and (16,113) 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 million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Present value of defined benefit obligation (beginning)	147,379	126,451
Service cost	2,370	2,276
Interest expenses	1,082	2,121
Benefits paid	(8,689)	(8,131)
Remeasurements of defined benefit plans		
(i) Actuarial differences arising from changes in demographic assumptions	(691)	(409)
(ii) Actuarial differences arising from changes in financial assumptions	(16,806)	(3)
(iii) Revisions to other results	286	(614)
Effects of business combination and disposal	5	—
Exchange differences	1,435	2,275
Other	80	304
Present value of defined benefit obligation (ending)	126,451	124,270

The weighted average duration of the defined benefit obligation in each fiscal year is as follows.

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Weighted average duration	10.7 years	10.5 years

D. Changes in the fair value of plan assets

Changes in the fair value of plan assets are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Fair value of plan assets (beginning)	152,382	134,727
Interest income	1,061	2,124
Remeasurement – Return on plan assets	(15,199)	7,444
Contributions by employer (Note 1)	2,234	2,324
Benefits paid	(6,515)	(6,267)
Effects of business combination and disposal	—	—
Exchange differences	723	1,677
Other	41	(34)
Fair value of plan assets (ending)	134,727	141,995

- (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, 2024, 1,980 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 million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Impact of asset ceiling (beginning)	32,929	32,378
Interest income	196	459
Remeasurement – Changes in the impact of the asset ceiling	(814)	9,275
Exchange differences	57	211
Other	10	—
Impact of the asset ceiling (ending)	32,378	42,323

(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 million yen)

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Equity instruments		
Domestic equity securities	10,201	11,522
Foreign equity securities	22,048	23,383
Debt instruments		
Domestic bonds	9,312	9,303
Foreign bonds	23,998	24,054
General accounts of life insurance company	31,287	32,666
Cash and cash equivalents	6,258	6,050
Other	31,623	35,017
Total	134,727	141,995

(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 are 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, 2022)	Current fiscal year (as of December 31, 2023)
Discount rate	1.7%	1.9%

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 statements 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 million yen)	
		Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Discount rate	0.5% increase	(6,235)	(5,799)
	0.5% decrease	6,559	6,051

(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 million yen)	
		Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Contributions		8,542	8,527

(Note) This amount is included in "Cost of sales" and "Selling, general and administrative expenses" in the consolidated statements of profit or loss.

(3) Employee benefit expenses

The components of the employee benefit expenses are as follows.

		(In million yen)	
		Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Personnel expenses		225,952	268,591
Retirement benefit expenses		11,129	11,259
Extra retirement payments and others		1,189	6,168
Other		2,649	6,245
Total		240,919	292,263

(Note) This amount is included in "Cost of sales", "Selling, general and administrative expenses" and "Other expenses" in the consolidated statements of profit or loss.

23. Share Capital 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, 2022)	3,400,000,000	1,958,454,023	161,488,167
Changes (Note 2)	—	—	19,881,715
Current fiscal year (as of December 31, 2023)	3,400,000,000	1,958,454,023	181,369,882

(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 February 9, 2023, the Company conducted a tender offer to acquire its own shares and purchased 40,453,107 shares from February 10, 2023 to March 10, 2023. As a result, treasury shares increased by 50,000 million yen. In addition, the number of treasury shares decreased by 20,571,392 shares, due to disposals of treasury shares based on the exercise of stock options and the vesting of Restricted Stock Unit (RSU) and Performance Share Unit (PSU) for the current fiscal year. As a result, treasury shares decreased by 24,480 million yen. The amount of treasury shares held was 217,691 million yen as of December 31, 2023. For details on stock options, RSU and PSU, see "Note 33. Share-based Payments."

3. 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. Dividends

(1) Dividend payment amounts

The year ended December 31, 2022

Not applicable.

The year ended December 31, 2023

Not applicable.

(2) Among dividends with a record date that falls under the consolidated fiscal year, for those with an effective date in the subsequent period

Resolution	Class of shares	Total amount of dividends (million yen)	Dividend per share (yen)	Record date	Effective date	Source of dividend
March 26, 2024 Annual general meeting of shareholders	Ordinary shares	49,758	28	December 31, 2023	March 29, 2024	Retained earnings

25. Revenue

(1) Disaggregation of revenue

Disaggregation of revenue recognized from contracts with customers is 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, development, design, 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, only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved..

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 million yen)

	As of December 31, 2022		As of December 31, 2023	
	At beginning of the period	At end of the period	At beginning of the period	At end of the period
Trade receivables	155,604	200,083	200,083	210,964
Contract assets	695	375	375	167
Contract liabilities	351	460	460	97

(Note) 1. Trade receivables are included in “Trade and other receivables” and “Other financial assets” in the consolidated statements of financial position.

2. Contract assets are the 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 statements of financial position.

3. 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 statements of financial position.

4. 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.

5. Of the revenues recognized in the previous fiscal year, 299 million yen was included in the balance of contract liabilities as of January 1, 2022. Of the revenues recognized in the current fiscal year, 177 million yen was included in the balance of contract liabilities as of January 1, 2023.

(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.

26. Selling, General and Administrative Expenses

The components of selling, general and administrative expenses are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Research and development expenses (Note)	205,963	232,777
Depreciation and amortization	111,947	111,504
Personnel expenses	67,569	75,739
Retirement benefit expenses	2,723	4,289
Other	38,676	41,711
Total	426,878	466,020

(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.

27. Other Income

The components of other income are as follows.

	(In million yen)	
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Insurance claim income (Note 1)	1,467	30,665
Fair value remeasurements on contingent considerations (Note 2)	2,464	2,023
Gain on sales of property, plant and equipment (Note 3)	9,749	1,382
Reversal of provision for business restructuring	1,068	—
Other	2,929	4,334
Total	17,677	38,404

(Note) 1. Insurance claim income for the current fiscal year is the amount received related to a fire that occurred at the Naka Factory of Renesas Semiconductor Manufacturing Co., Ltd, a wholly owned subsidiary of the Company, on March 19, 2021. This insurance payments include the amount for loss of profits due to the fire damage.

2. For details, please refer to "7. Business Combinations."

3. Gain on sales of property, plant and equipment for the previous fiscal year is mainly due to the sale of Yamaguchi Factory of Renesas Semiconductor Manufacturing Co., Ltd., a wholly owned subsidiary of the Company, which completed consolidation on June 30, 2022.

28. Other Expenses

The components of other expenses are as follows.

	(In million yen)	
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Business restructuring expenses (Note 1)	3,928	6,740
Impairment losses (Note 2)	7,719	4,872
Loss on disposal of non-current assets	859	1,225
Loss on reduction of non-current assets	—	1,068
Settlement packages (Note 3)	5,488	604
Other	2,641	1,437
Total	20,635	15,946

(Note) 1. 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.

2. For details on impairment losses, see "Note 15. Impairment of Non-financial Assets."

3. Settlements packages for the previous fiscal year are mainly related to past license agreements.

29. Finance Income and Finance Costs

The components of finance income and finance costs are as follows.

(1) Finance income

	(In million yen)	
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Interest income		
Financial assets measured at amortized cost	1,084	21,876
Foreign exchange gain (Note)	—	8,560
Gain from fair value evaluation		
Financial assets measured at fair value through profit or loss	—	6,308
Other	325	1,398
Total	1,409	38,142

(2) Finance costs

	(In million yen)	
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Interest expenses		
Financial liabilities measured at amortized cost	6,867	6,339
Foreign exchange loss (Note)	51,912	—
Other	4,501	396
Total	63,280	6,735

(Note) Foreign exchange gain and loss include losses on valuation of currency derivatives.

30. Other Comprehensive Income

Reclassification adjustments and tax effects of other comprehensive income by component are as follows.

(In million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Items that will not be reclassified to profit or loss:		
Remeasurements of defined benefit plans		
Amount incurred during the period	2,742	(776)
Tax effect	(829)	115
After tax effect	1,913	(661)
Equity financial assets measured at fair value through other comprehensive income		
Amount incurred during the period	(35)	(489)
Tax effect	(95)	14
After tax effect	(130)	(475)
Total of items that will not be reclassified to profit or loss	1,783	(1,136)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations		
Amount incurred during the period	312,709	168,396
Reclassification	—	—
Before tax effect	312,709	168,396
Tax effect	—	—
After tax effect	312,709	168,396
Cash flow hedges		
Amount incurred during the period	13,716	(14,302)
Reclassification	(31,202)	4,233
Before tax effect	(17,486)	(10,069)
Tax effect	5,540	3,054
After tax effect	(11,946)	(7,015)
Cost of hedges		
Amount incurred during the period	9,618	(4,013)
Reclassification	24	21
Before tax effect	9,642	(3,992)
Tax effect	(2,989)	1,262
After tax effect	6,653	(2,730)
Total of items that may be reclassified subsequently to profit or loss	307,416	158,651
Total other comprehensive income	309,199	157,515

31. 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, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	256,615	337,086
Weighted average number of ordinary shares during the year (thousands of shares)	1,864,152	1,776,296
Basic earnings per share (yen)	137.66	189.77

(2) Diluted earnings per share

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Profit attributable to owners of parent used for the calculation of basic earnings per share (million yen)	256,615	337,086
Adjustments on earnings (million yen)	—	—
Profit used for the calculation of diluted earnings per share (million yen)	256,615	337,086
Weighted average number of ordinary shares during the year before dilution (thousands of shares)	1,864,152	1,776,296
Increase in common stock		
Share acquisition rights (thousands of shares)	20,907	10,799
Restricted Stock Unit (thousands of shares)	18,101	24,528
Weighted average number of ordinary shares during the year after dilution (thousands of shares)	1,903,161	1,811,623
Diluted earnings per share (yen)	134.84	186.07

32. 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, 2021	Cash flows	Non-cash transactions				As of December 31, 2022	
			Acquisitions	Increase due to business combination	Effect of foreign exchange rate changes	Changes in fair value		Other (Note 2)
Long-term borrowings (Note 1)	658,490	(81,671)	—	—	(556)	—	891	577,154
Short-term borrowings	1,047	(1,180)	—	—	—	—	133	—
Bonds (Note 3)	154,551	—	—	—	24,786	—	(748)	178,589
Derivative liabilities (assets) (Note 4)	1,427	—	—	—	—	(15,030)	—	(13,603)
Lease liabilities	17,232	(5,901)	3,097	—	—	—	(159)	14,269
Total	832,747	(88,752)	3,097	—	24,230	(15,030)	117	756,409

(Current fiscal year)

	As of December 31, 2022	Cash flows	Non-cash transactions				As of December 31, 2023	
			Acquisitions	Increase due to business combination	Effect of foreign exchange rate changes	Changes in fair value		Other (Note 2)
Long-term borrowings (Note 1)	577,154	(120,015)	—	—	1,826	—	886	459,851
Short-term borrowings	—	—	—	—	—	—	—	—
Bonds (Note 3)	178,589	—	—	—	12,326	—	182	191,097
Derivative liabilities (assets) (Note 4)	(13,603)	—	—	—	—	(857)	—	(14,460)
Lease liabilities	14,269	(5,796)	7,363	—	—	—	876	16,712
Total	756,409	(125,811)	7,363	—	14,152	(857)	1,944	653,200

(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 34. Financial Instruments."

4. Derivatives are held for the purpose of hedging bonds, borrowings and plan on purchasing.

(2) Non-cash transactions

Significant non-cash transactions are as follows.

(In million yen)

Type	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Purchase of intangible assets through installment purchase contracts		309
		6,781

(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 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."

(Current fiscal year)

For details of assets and liabilities for Panthronics 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."

33. 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 statements of profit or loss totaled 1,548 million yen in “Cost of sales” and 16,596 million yen in “Selling, general and administrative expenses” in the previous fiscal year, and 1,537 million yen in “Cost of sales” and 21,747 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
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 corporate officer 1 Corporate 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	Corporate 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	—
January 16, 2023	Employees of the Company and subsidiaries 144	1,412,400	—	1,255.0	—
April 11, 2023	Outside directors 2 Corporate officers 11 Employees of the Company and subsidiaries 5,837	12,338,700	1,833,600	1,830.5	2,651.6
July 14, 2023	Employees of the Company and subsidiaries 243	1,101,300	—	2,697.5	—
October 18, 2023	Employees of the Company and subsidiaries 329	762,700	—	2,309.0	—

(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, Corporate Officers and employees at the time of delivering the stock.

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, 2022)		Current fiscal year (as of December 31, 2023)	
	RSU	PSU	RSU	PSU
Beginning balance	21,888,800	1,133,200	23,297,844	2,283,300
Granted	13,914,400	1,376,600	15,615,100	2,062,276
Forfeited	(3,738,644)	(197,600)	(2,445,483)	(236,989)
Vested	(8,766,712)	(28,900)	10,538,568	417,400
Ending balance	23,297,844	2,283,300	25,928,893	3,691,187

(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 Corporate officers and 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 2018 Stock options No.1 – 1 No.2 – 1	Directors of the Company 3 Corporate officers and 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 Corporate officers and 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 2019 Stock options No.1 No.2 No.3	Corporate officers and executive officers of the Company 1 Directors of subsidiaries 1 Corporate officers and executive officers of subsidiaries 3 Employees of	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	From April 9, 2019 to March 15, 2023	From April 9, 2019 to April 8, 2029

	subsidiaries 1,337			originally scheduled in IDT.		
Fiscal year 2019 Stock options No.4 – 1 No.5 – 1	Corporate officers and 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.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 10 Employees of subsidiaries 46	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 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 July 25, 2019 to April 2, 2022	From July 26, 2019 to July 25, 2029
Fiscal year 2019 Stock options No.8 – 1 No.9 – 1	Directors of the Company 2 Corporate officers and 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 Corporate officers and 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	From August 23, 2019 to April 2, 2022	From August 24, 2019 to August 23, 2029

				Price Index.		
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	Corporate officers and 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.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 Corporate officers and 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 Corporate officers and executive officers of the Company 10	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	From June 30, 2020 to June 30, 2023	From July 1, 2020 to June 30, 2030

	<p>Employees of the Company 88</p> <p>Directors of subsidiaries 9</p> <p>Employees of subsidiaries 41</p>			<p>fluctuation rate of the Company and companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.</p>		
<p>Fiscal year 2020 Stock options No.3 No.4</p>	<p>Directors of the Company 1</p> <p>Corporate officers and executive officers of the Company 8</p> <p>Employees of the Company 916</p> <p>Directors of subsidiaries 6</p> <p>Employees of subsidiaries 1,614</p>	<p>Common stock 4,725,300 Shares</p>	<p>August 31, 2020</p>	<p>The rights vest in stages as follows One third vests on August 31, 2020 One third vests on September 1, 2020 The remaining vests on October 1, 2020</p>	<p>From August 31, 2020 to October 1, 2020</p>	<p>From August 31, 2020 to August 30, 2030</p>
<p>Fiscal year 2020 Stock options No.5 No.6</p>	<p>Employees of the Company 219</p> <p>Employees of subsidiaries 161</p>	<p>Common stock 665,800 Shares</p>	<p>August 31, 2020</p>	<p>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</p>	<p>From August 31, 2020 to September 1, 2023</p>	<p>From September 1, 2020 to August 31, 2030</p>
<p>Fiscal year 2020 Stock options No.7 – 1 No.8 – 1</p>	<p>Employees of the Company 3</p> <p>Employees of subsidiaries 94</p>	<p>Common stock 910,100 Shares</p>	<p>November 30, 2020</p>	<p>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</p>	<p>From November 30, 2020 to July 1, 2023</p>	<p>From December 1, 2020 to November 30, 2030</p>
<p>Fiscal year 2020 Stock options No.7 – 2 No.8 – 2</p>	<p>Employees of subsidiaries 10</p>	<p>Common stock 82,000 Shares</p>	<p>November 30, 2020</p>	<p>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</p>	<p>From November 30, 2020 to September 1, 2023</p>	<p>From December 1, 2020 to November 30, 2030</p>
<p>Fiscal year 2020 Stock options No.7 – 3</p>	<p>Employees of the Company 1</p>	<p>Common stock 22,600 Shares</p>	<p>November 30, 2020</p>	<p>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</p>	<p>From November 30, 2020 to June 30, 2023</p>	<p>From December 1, 2020 to November 30, 2030</p>

				companies that are the components of PHLX Semiconductor Sector Index and Tokyo Stock Price Index.		
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 The remaining vests on July 1, 2024	From February 26, 2021 to July 1, 2024	From February 27, 2021 to February 26, 2031
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, 2022 to December 31, 2022)		Current fiscal year (from January 1, 2023 to December 31, 2023)	
	Number of options (shares)	Weighted average exercise price (yen)	Number of options (shares)	Weighted average exercise price (yen)
Beginning balance of unexercised options	30,692,900	1	15,220,200	1
Granted	—	1	—	1
Exercised	12,423,200	1	9,615,500	1
Forfeited	2,781,900	1	365,400	1
Expired	267,600	1	50,000	1
Ending balance of unexercised options	15,220,200	1	5,189,300	1
Ending balance of exercisable options	6,796,000	1	5,144,900	1

- (Note) 1. For the stock options exercised during the period, the weight average share price as of the exercise date was 1,336 yen for the previous fiscal year and 2,374 yen for the current fiscal year.
2. Remaining weighted average contractual life outstanding as of December 31, 2022 and 2023 was 2 years and 1 year, respectively.

D. Fair value of stock options granted and estimation method of fair value

There were no stock options granted during the previous fiscal year and the current fiscal year.

34. 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 and bonds. 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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Interest-bearing liabilities	770,012	667,660
Less: Cash and cash equivalents	(336,068)	(434,681)
Net interest-bearing liabilities	433,944	232,979
Total equity attributable to owners of parent	1,533,735	2,001,553
Total liabilities and equity	2,812,491	3,167,003
Equity ratio attributable to owners of parent (%)	54.5	63.2

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 37. 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, 2022 to December 31, 2022)

(In million yen)

	12-month expected credit losses		Lifetime expected credit losses		
	Loss allowance for financial assets than trade receivables	Loss allowance for trade receivables	Loss allowance for financial assets whose credit risk has increased significantly	Loss allowance for credit-impaired financial assets	
Beginning balance	—	69	—	—	
Increases	—	146	—	—	
Decreases due to reversal	—	(69)	—	—	
Other	—	11	—	—	
Ending balance	—	157	—	—	

Current fiscal year (from January 1, 2023 to December 31, 2023)

(In million 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 credit-impaired financial assets
Beginning balance	—	157	—	—
Increases	—	377	—	—
Decreases due to reversal	—	(115)	—	—
Other	—	18	—	—
Ending balance	—	437	—	—

(c) Carrying amount of financial assets for the loss allowance

The carrying amount (before the loss allowance) of financial assets for the loss allowance as of each fiscal year end is as follows.

(In million yen)

	12-month expected credit losses	Lifetime expected credit losses		
	Loss allowance for financial assets other than trade receivables	Loss allowance for trade receivables	Loss allowance for financial assets whose credit risk has increased significantly	Loss allowance for credit-impaired financial assets
Previous fiscal year (as of December 31, 2022)	4,538	200,083	—	—
Current fiscal year (as of December 31, 2023)	8,838	210,964	—	—

(d) Analysis of credit risk

The aging analysis of trade receivables as of each fiscal year end is as follows.

(In million yen)

	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Before due date	186,776	202,695
Up to 30 days past due	9,586	6,334
Over 30 days past due and up to 90 days past due	3,008	826
Over 90 days past due	713	1,109
Total	200,083	210,964

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 the expected loss rate. For financial assets 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, 2022)

(In million 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 financial 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

Current fiscal year (as of December 31, 2023)

(In million 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	247,332	247,332	243,192	2,148	1,992	—	—	—
Bonds and borrowings	650,948	662,005	430,299	52,074	172,393	7,239	—	—
Lease liabilities	16,712	19,552	5,677	4,306	2,583	1,522	1,290	4,174
Contingent consideration (Note)	3,298	3,298	3,298	—	—	—	—	—
Derivative financial liabilities								
	15,672	15,672	15,672	—	—	—	—	—
Total	933,962	947,859	698,138	58,528	176,968	8,761	1,290	4,174

(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 million yen)

Currency	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
US dollar	(15,293)	12,949
Euro	58,677	48,560

(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 statements of profit or loss is as follows.

(In million yen)

Currency	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
US dollar	153	(129)
Euro	(587)	(486)

(b) Interest rate risk

The Group raises funds mainly through borrowings and bonds 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. Additionally, bonds are issued with fixed interest rates. 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) Loans

The fair value of loans is calculated based on the present value discounted at an interest rate that takes into account credit risk and classified as Level 3.

(e) 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.

(f) 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.

(g) Bonds

The fair value of bonds is calculated by referring to a market price and classified as Level 2.

(h) 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.

(i) 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 calculated using observable inputs, either directly or indirectly, other than those classified as Level 1

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.

(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. Lease liabilities are not included in the following table.

Previous fiscal year (as of December 31, 2022)

(In million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
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

Current fiscal year (as of December 31, 2023)

(In million yen)

	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities					
Borrowings	459,851	—	458,093	—	458,093
Bonds	191,097	—	191,097	—	191,097
Other payables	51,878	—	51,409	—	51,409
Total	702,826	—	700,599	—	700,599

(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, 2022)

(In million 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

Current fiscal year (as of December 31, 2023)

(In million yen)

	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets measured at fair value through profit or loss				
Derivative assets	—	30,132	—	30,132
Investment trust	8,124	—	—	8,124
Unlisted securities	—	—	4,052	4,052
Loan receivable	—	—	144,093	144,093
Equity instruments measured at fair value through other comprehensive income				
Listed securities	830	—	—	830
Unlisted securities	—	—	9,878	9,878
Total	8,954	30,132	158,023	197,109
Financial liabilities				
Financial liabilities measured at fair value through profit or loss				
Derivative liabilities	—	15,672	—	15,672
Contingent consideration (Note)	—	—	3,298	3,298
Total	—	15,672	3,298	18,970

(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 million yen)	
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Beginning balance	8,599	9,658
Total gains or losses in the period	(616)	156
Profit or loss (Note 1)	(2,745)	1,870
Other comprehensive income (Note 2)	2,129	(1,714)
Purchases	2,638	148,191
Transfer to Level 1	(120)	—
Changes due to changes in the scope of consolidation	(843)	—
Others	—	18
Ending balance	9,658	158,023
Changes in unrealized gains or losses recorded in profit or loss for the balance held at the end of the reporting period (Note1)	(2,745)	1,870

Changes in financial liabilities that are classified as Level 3 are as follows.

	(In million yen)	
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Beginning balance	4,681	2,528
Total gains or losses in the period	(1,348)	(1,796)
Profit or loss (Note 3)	(1,348)	(1,857)
Other comprehensive income (Note 2)	—	61
Settlement	(2,205)	(228)
Acquisition due to business combination	1,400	2,794
Ending balance	2,528	3,298
Changes in unrealized gains or losses recorded in profit or loss for the balance held at the end of the reporting period (Note 3)	(1,348)	(626)

- (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 statements 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 statements of comprehensive income.
3. Amounts relate to financial liabilities measured at fair value through profit or loss and included in “Finance costs”, “Other expenses” and “Other income” in the consolidated statements of profit or loss.
4. Financial instruments that are classified as Level 3 consist of unlisted securities, loans, and contingent consideration due to business combination. The measurement results of the fair value are reviewed and approved by an appropriate authorized person. Unlisted securities are mainly investments in funds, and the fair value of the unlisted securities is measured based on the value of net asset as a valuation technique. The fair value of the loans is calculated based on the present value of future expected cash flows, discounted at interest rates that take into account the period until maturity and credit risk and the performance of the contract. Since these estimates are uncertain, fair value due to changes in significant unobservable inputs may increase or decrease.
- In addition, the fair value of contingent consideration is measured in consideration of the possibility of achieving developmental milestones and the time value of money. Since these estimates are uncertain, fair value may increase if significant unobservable development milestones become more likely to be achieved.

D. The total amount of differences not recognized in profit or loss at the beginning and end of the fiscal year and the changes in these differences are as follows.

	(In million yen)	
	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Financial assets measured at fair value through profit or loss		
Loans		
Beginning balance	—	—
Increase		
Increase due to new transactions	—	44,980
Decrease		
Decrease due to amortization	—	(2,181)
Others	—	(756)
Ending balance	—	42,043

(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.

Cash flow hedges

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 ineffective portion of the hedge 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 statements of financial position is as follows. Derivative assets and liabilities are included in "Other financial assets" and "Other financial liabilities," respectively, in the consolidated statements of financial position.

Previous fiscal year (as of December 31, 2022)

	(In million 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			
Forward exchange contracts	332,855	12,026	7,050
Currency swaps	182,252	9,919	617
			11,952

Current fiscal year (as of December 31, 2023)

(In million 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				
Forward exchange contracts	283,496	2,849	15,229	—
Currency swaps	182,252	27,283	—	29,393

C. Information on items designated as hedged items

The amount of the impact of hedged items that are designated as hedges on the consolidated statements of financial position is as follows.

Previous fiscal year (as of December 31, 2022)

(In million 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)	—

Current fiscal year (as of December 31, 2023)

(In million 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	—	(12,756)	—
Bonds	(28,776)	(6,778)	—

D. Impact of the application of hedge accounting on the consolidated statements 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 statements of comprehensive income is as follows.

Previous fiscal year (as of December 31, 2022)

(In million yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (Note)	Ineffective portion recognized in profit or loss
Cash flow hedges		
Foreign currency exchange risk		
Forward exchange contracts	(5,427)	—
Currency swaps	(12,622)	(87)

(Note) Amount before tax effect.

Current fiscal year (as of December 31, 2023)

(In million yen)

	Changes in the value of hedging instruments recognized in other comprehensive income (Note)	Ineffective portion recognized in profit or loss
Cash flow hedges		
Foreign currency exchange risk		
Forward exchange contracts	(18,385)	—
Currency swaps	(9,889)	(618)
(Note) Amount before tax effect.		

E. Fair value of derivatives to which hedge accounting is not applied

The fair value and contract amount of derivatives to which hedge accounting is not applied are as follows.

Previous fiscal year (as of December 31, 2022)

(In million yen)

	Contract amount	Book value of hedging instruments (Fair value)	
		Assets	Liabilities
Forward exchange contracts	385,174	—	675

Current fiscal year (as of December 31, 2023)

(In million yen)

	Contract amount	Book value of hedging instruments (Fair value)	
		Assets	Liabilities
Forward exchange contracts	326,338	—	443

(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 39 million yen in the previous fiscal year and 32 million yen in the current fiscal year.

35. Related Parties

(1) Transactions with related parties

Previous fiscal year (from January 1, 2022 to December 31, 2022)

Transactions with related parties for the year ended December 31, 2022 is as follows.

(In million 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.

Current fiscal year (from January 1, 2023 to December 31, 2023)

Not applicable.

(2) Compensation to key management

Compensation paid to key management personnel is as follows.

(In million yen)

Category	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Remuneration and bonuses	254	310
Share-based payments	384	548
Total	638	858

(Note) The exercise price and other key terms of share-based payment arrangements are as stated in "Note 33. Share-based Payments."

36. Major Subsidiaries

All subsidiaries are included in the scope of consolidation for our consolidated financial statements.

Major subsidiaries as of December 31, 2023 are as follows.

Company	Location	Descriptions of Principal Businesses	Percentage Ownership and Voting Interest (%)	
			Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
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 Semiconductor (Suzhou) Co., Ltd.	Suzhou, China	Manufacturing and Engineering Service Companies	100.0 (6.3) (Note)	100.0 (6.3) (Note)
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

(Note) Numbers in parentheses represent indirect voting rights.

There are no subsidiaries with significant non-controlling interests.

37. Commitments and Contingent Liabilities

(1) Commitments for the acquisition of assets

The Group's commitments for the acquisition of assets are as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Property, plant and equipment (Note)	119,625	70,628
Intangible assets	942	1,330
Total	120,567	71,958

(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 (lender)

The Group has entered into a contract to set 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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Total amount of loan commitments	—	283,660
Balance of used loans	—	141,830
Balance of unused loans	—	141,830

(Note) In the above loan commitment agreement, not all amount result in a loan being executed, so the unused amount may not all be executed. Additionally, a loan of 500,000 thousand US dollars was executed on February 27, 2024.

(3) Loan commitments (borrower)

The Group has entered into a contract to set 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 million yen)	
	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Total amount of commitment lines	50,000	50,000
Balance of used loans	—	—
Balance of unused loans	50,000	50,000

(4) Debt guarantees

The Group provides debt guarantees against bank loans etc. of its employees as follows.

	(In million yen)	
	Previous fiscal year (as of December 31, 2021)	Current fiscal year (as of December 31, 2022)
Guarantees of employees' obligations	11	5
Total	11	5

(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.

(5) Others

As the Group conducts business worldwide, it is possible that the Group may become a party to lawsuits, arbitration, 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. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" Article 92, the Group does not disclose detailed information of the legal proceedings since it is likely to lead the Group to an unfavorable position.

The Group has recorded provision for loss on litigation in accordance with what can be reasonably estimated for the cases below. In addition, the Group has recorded provision for loss litigation in preparation for payments related to lawsuits and damage claims with other companies, in addition to the cases described below.

(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 a 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.

(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.

38. Subsequent Events

(Cancellation of Treasury Shares)

Renesas has resolved at the Meeting of Board of Directors dated February 8, 2024, to cancel treasury shares pursuant to Article 178 of the Companies Act as follows.

(1) Policy for cancellation of treasury stock

Renesas will retain a maximum of approximately 5% of the total number of shares issued and outstanding and, in principle, treasury shares exceeding 5% will be subject to cancellation.

(2) Board of Directors resolution details related to cancellation of treasury stock

- (a) Class of shares to be cancelled: Renesas common shares
- (b) Number of shares to be cancelled: 87,839,138 shares (approximately 4.5% of shares issued and outstanding)
- (c) Scheduled cancellation date: February 29, 2024

After cancellation, the total number of shares issued and outstanding is 1,870,614,885, and the total number of treasury shares is 92,093,364.

(Acquisition of Transphorm, Inc.)

Renesas entered into a merger agreement to acquire Transphorm, Inc. (hereinafter "Transphorm"), a global leader in GaN (Gallium Nitride) power semiconductors, through a cash transaction via a subsidiary on January 11, 2024.

(1) Purpose of the acquisition

Demand for highly efficient power systems is increasing as building blocks for carbon neutrality. To address this trend, an industry-wide transition toward wide bandgap ("WBG") materials, represented by silicon carbide ("SiC") and GaN, is also being seen. These advanced materials allow a broader range of voltage and switching frequency than conventional silicon-based devices. To build on this momentum, Renesas has announced the establishment of an in-house SiC production line, supported by a 10 year SiC wafer supply agreement.

Through this acquisition, Renesas aims to further expand its WBG portfolio with Transphorm's expertise in GaN, an emerging material that enables higher switching frequency, lower power losses, and smaller form factors. These benefits empower customers' systems with greater efficiency, smaller and lighter composition, and lower overall cost. The Group will implement Transphorm's auto-qualified GaN technology to develop new enhanced power solution offerings, such as X-in-1 powertrain solutions for EVs, along with computing, energy, industrial and consumer applications.

(2) Overview of the acquiree

- (a) Name: Transphorm, Inc.
- (b) Location: Goleta, California, USA
- (c) Business overview: Design and manufacturing of high-performance and highly reliable GaN (Gallium Nitride) semiconductors for high-voltage power conversion applications.

(3) Acquisition Method

Renesas will acquire all outstanding shares of Transphorm's common stock for 5.10 US dollars per share in cash, through a subsidiary, representing a premium of approximately 35% to Transphorm's closing price on January 10, 2024, a premium of approximately 56% to the volume weighted average price over the last twelve months and a premium of approximately 78% to the volume weighted average price over the last six months. The total acquisition value amounts to approximately 339 million US dollars (equivalent to approximately 49.2 billion yen at an exchange rate of 1 USD = 145 JPY).

(4) Schedule

The acquisition is expected to close in the second half of Calendar Year 2024, subject to Transphorm stockholder approval, required regulatory clearances and the satisfaction of other customary closing conditions.

(Acquisition of Altium Limited)

Renesas has agreed to acquire all issued and to-be-issued ordinary shares of Altium Limited (hereinafter "Altium") on February 15, 2024, making it a wholly-owned subsidiary (hereinafter the "Altium Acquisition").

(1) Purpose of the acquisition

Under its Purpose, "To Make Our Lives Easier," Renesas has been expanding its product portfolio of embedded processors, analog, power, and connectivity, with an aim to becoming a global leader in embedded semiconductor solutions.

Furthermore, Renesas has been advancing its digitization strategy that enables enhanced user experience (UX) through cloud-based development. Altium's history began in 1985 from Australia as the world's first printed-circuit board (PCB) design tool provider. The company has grown into a global market leader with the most well-known PCB software tools in use today.

The Altium Acquisition enables two industry leaders to join forces and establish an integrated and open "electronics system design and lifecycle management platform" that allows for collaboration across component, subsystem, and system-level design. The Altium Acquisition strongly aligns with Renesas' digitalization strategy and represents the company's first significant step in bringing enhanced user experience and innovation at the system level for electronics system designers.

Moreover, The Altium Acquisition strengthens Renesas' financial profile and provides shareholders significant value by accelerating Renesas's digitalization strategy.

(2) Overview of the acquiree

- (a) Name: Altium Limited
- (b) Location: San Diego, California, USA
- (c) Business overview: Development and sales of software tools for PCB design and others
- (d) Capital: \$127,699 thousand (19,242 million yen, based on an exchange rate of 1 USD = 151 yen)
- (e) Date of Establishment: October, 1987

(3) Acquisition Method

Altium is listed on the Australian Securities Exchange. The Altium Acquisition will be executed by way of a Scheme of Arrangement (hereinafter "SOA") under the Australian Corporations Act, which is a method of acquiring 100% of the outstanding shares of an Australian listed company and will involve the acquisition of all of Altium's shares for cash. The companies have entered into a Scheme Implementation Agreement (hereinafter "SIA") which has been unanimously approved by the boards of directors of both companies.

The Altium Acquisition will be executed by way of a SOA. Upon approval of the Altium Acquisition Proposal at a shareholder meeting of Altium (approval by a majority of the shareholders present and voting and by a minimum of 75% of votes cast), approval by the Australian courts, and necessary regulatory approvals being obtained from the authorities in relevant countries, and subject to satisfaction of certain other conditions, Renesas (or, if according to the provisions of the SIA, a wholly-owned subsidiary is to be used, then that wholly-owned subsidiary) will acquire all of the outstanding shares of Altium.

Renesas will acquire shares of Altium for a cash price of A\$68.50 per share, (total equity value of approximately A\$9.1 billion (approximately ¥887.9 billion at an exchange rate of 97 yen to the A\$). Renesas plans to finance the transaction with bank loans and cash on hand.

The number of shares acquired through the Altium Acquisition, the acquisition price, and the status of owned shares before and after the acquisition are as follows:

- (a) Shares owned before transfer: 0 shares (Ownership percentage: 0.0%)
- (b) Number of shares acquired: 133,279,432 shares (Note) (Percentage of outstanding shares : 100.0%)
- (c) Acquisition price: Approximately \$A9.1billion (approximately 887.9 billion yen at an exchange rate of 97 yen to the A\$)
- (d) Shares acquired after transfer: 133,279,432 shares (Note) (Ownership percentage : 100.0%)

(Note) Based on the number of shares on a fully-diluted basis as of February 15, 2024 (reflecting dilutions and others that occurred following the stock-related compensation from the Altium Acquisition). The above figures have been rounded off to the closest whole number.

(4) Schedule

The Altium Acquisition is expected to be completed during the second half of 2024, following approval from Altium's shareholders, the Australian courts, and necessary regulatory authorities, in addition to the satisfaction of other general transaction 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)	359,374	728,091	1,107,482	1,469,415
Profit before tax (Million yen)	127,762	240,581	343,505	422,173
Profit attributable to owners of parent (Million yen)	105,211	195,775	271,008	337,086
Basic earnings per share (Yen)	58.50	109.94	152.52	189.77

(Accounting period)	First quarter	Second quarter	Third quarter	Fourth quarter
Basic earnings per share (Yen)	58.50	51.36	42.53	37.23

(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 million yen)

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Assets		
Current assets		
Cash and deposit	167,686	167,847
Electronically recorded receivables	2,200	2,111
Account receivable-trade	※1 117,520	※1 118,933
Finished goods	27,573	21,304
Work in process	49,854	52,990
Raw materials and supplies	3,776	4,587
Prepaid expenses	2,997	3,693
Accounts receivable-other	※1 33,260	※1 32,165
Other current assets	※1 23,935	※1 25,830
Total current assets	428,801	429,460
Non-current assets		
Property, plant and equipment		
Building	※2 31,430	※2 35,857
Structures	※2 3,777	※2 3,560
Machinery and equipment	※2 43,224	※2 44,301
Vehicles	219	313
Tools, furniture and fixtures	15,990	17,638
Land	※2 18,966	※2 18,945
Construction in progress	5,153	44,130
Total property, plant and equipment	118,758	164,744
Intangible assets		
Software	6,943	7,913
Other intangible assets	866	1,376
Total intangible assets	7,809	9,289
Investments and other assets		
Investment securities	2,807	3,631
Shares of subsidiary and affiliates	※2 1,902,877	※2 1,858,674
Long-term prepaid expenses	24,939	28,701
Prepaid pension costs	13,536	16,021
Deferred tax assets	20,155	27,452
Other assets	33,057	36,810
Allowance for doubtful accounts	(0)	(0)
Total investments and other assets	1,997,371	1,971,290
Total non-current assets	2,123,938	2,145,323
Deferred assets		
Bond issuance costs	556	373
Total deferred assets	556	373
Total assets	2,553,295	2,575,156

(In million yen)

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Liabilities		
Current liabilities		
Electronically recorded obligations	5,164	5,361
Account payable-trade	※1 111,972	※1 105,844
Current portion of long-term borrowing	※2 120,001	※2 354,104
Lease obligations	27	27
Accounts payable-other	※1 41,184	※1 47,327
Accrued expenses	※1 26,529	※1 21,816
Income taxes payable	65,865	32,645
Contract liabilities	177	—
Advances received	623	784
Deposits received	※1 478,939	※1 393,390
Provision for product warranties	86	154
Provision for business restructuring	2	1
Provision for contingent losses	1,098	1,090
Provision for share-based payments	8,643	27,472
Asset retirement obligations	—	345
Other current liabilities	36,489	111,293
Total current liabilities	896,798	1,101,654
Non-current liability		
Bonds	154,359	97,189
Long-term borrowing	※1 ※2 536,387	※1, ※2 187,568
Lease obligations	51	21
Provision for retirement benefits	11,945	10,910
Provision for share-based payments	6,852	16,058
Asset retirement obligations	1,801	1,748
Other non-current liabilities	4,666	4,140
Total of non-current assets	716,060	317,635
Total liabilities	1,612,858	1,419,288
Net Assets		
Shareholders' equity		
Share capital	153,209	153,209
Capital surplus		
Legal capital surplus	143,209	143,209
Other capital surplus	206,642	208,969
Total capital surplus	349,851	352,177
Retained earnings		
Other retained earnings		
Retained earnings brought forward	621,723	873,594
Total retained earnings	621,723	873,594
Treasure shares	(192,171)	(217,691)
Total shareholders' equity	932,612	1,161,289
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(1)	62
Deferred gains or losses on hedges	224	(8,589)
Total valuation and translation adjustments	223	(8,527)
Share acquisition rights	7,602	3,106
Total net assets	940,437	1,155,868
Total liabilities and net assets	2,553,295	2,575,156

(ii) Non-Consolidated Statement of Operations

(In million yen)

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net sales	※1 1,075,144	※1 1,065,819
Cost of sales	※1 559,947	※1 559,947
Gross profit	515,196	524,512
Selling, general and administrative expenses	※1,※2 164,206	※1,※2 209,753
Operating income	350,991	314,758
Non-operating income		
Interest income	※1 1,339	※1 2,842
Dividend income	576	1,699
Other non-operating income	343	535
Total non-operating income	2,259	5,076
Non-operating expenses		
Interest expenses	※1 16,119	17,002
Foreign exchange losses	55,869	3,495
Other non-operating expenses	1,777	2,296
Total non-operating expenses	73,765	22,793
Ordinary income	279,485	297,041
Extraordinary income		
Insurance income	—	※3 18,236
Other extraordinary income	10,218	1,177
Total Extraordinary income	10,218	19,412
Extraordinary losses	1,337	1,504
Net profit before taxation	288,365	314,950
Income taxes-current	78,809	66,513
Income tax adjustments	(3,091)	(3,435)
Total Income taxes	75,718	63,079
Net income	212,647	251,871

(iii) Non-Consolidated Statement of Changes in Net Assets
 Previous fiscal year (from January 1, 2022 to December 31, 2022)

(In million 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

Current fiscal year (from January 1, 2023 to December 31, 2023)

(In million 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, 2023	153,209	143,209	206,642	349,851	621,723	(192,171)	932,612	
Change during period								
Net income					251,871		251,871	
Purchase of treasury shares						(50,000)	(50,000)	
Disposal of treasury shares			2,327	2,327		24,480	26,807	
Net changes in items other than shareholders' equity								
Total changes during period	—	—	2,327	2,327	251,871	(25,520)	228,678	
Balance at December 31, 2023	153,209	143,209	208,969	352,177	873,594	(217,691)	1,161,289	

	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, 2023	(1)	224	223	7,602	940,437
Change during period					
Net income					251,871
Purchase of treasury shares					(50,000)
Disposal of treasury shares					26,807
Net changes in items other than shareholders' equity	63	(8,813)	(8,750)	(4,496)	(13,247)
Total changes during period	63	(8,813)	(8,750)	(4,496)	215,431
Balance at December 31, 2023	62	(8,589)	(8,527)	3,106	1,155,868

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 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 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.

(Significant Accounting Estimates)

Valuation of shares in affiliates

- (1) Amounts recorded in the financial statements for the year under review

(in million yen)

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2022)
Affiliates Shares	1,902,877	1,858,674

- (2) Information on significant accounting estimates relating to identified items

The valuation of shares in affiliated companies is based on a comparison of the real value of the shares reflecting the excess earning power expected at the time of acquisition with the carrying value to determine whether there has been a significant decline in real value, considering the same assumptions used in the impairment testing of goodwill in the preparation of the consolidated financial statements. As such assumptions are subject to future uncertainties, if it becomes necessary to recognize impairment losses on shares in affiliated companies in the following fiscal year, this need to recognize impairment losses on shares in affiliated companies in the following fiscal year could affect the financial statements in the same period.

(Change in presentation method)

(Statements of Income)

“Dividends received” under “Non-operating income,” which was separately presented in the previous fiscal year, is presented as “Interest and dividends received” under “Non-operating income” in the current fiscal year, as it has become less significant. As a result, “Interest income” of 243 million yen and “Dividends received” of 1,097 million yen in the statement of income for the previous fiscal year have been reclassified as “Interest and dividends received” of 1,339 million yen.

“Subsidy income,” which was included in “Other non-operating income” under “Non-operating income” in the previous fiscal year, is presented as a separate line item from the current fiscal year due to more significant.

“Gain on sale of fixed assets” under “Extraordinary income,” which was independently presented in the previous fiscal year, has been included in “Other non-operating income” under “Extraordinary income” in the current fiscal year, as it has become less significant. The amount of “Gain on sale of non-current assets” in the previous fiscal year was 9,328 million yen.

“Business structure improvement costs” under “Extraordinary losses,” which was presented as a separate item in the previous fiscal year, has been included in “Extraordinary losses” in the current fiscal year as it has become less significant. The amount of “Business structure improvement costs” in the previous fiscal year was 1,009 million yen.

(Notes to Balance Sheet)

* 1 Assets and Liabilities to affiliated companies

	Previous fiscal year (as of December 31, 2022)	Current fiscal year (as of December 31, 2023)
Short-term monetary claims	141,558 million yen	133,317 million yen
Long-term monetary claims	— million yen	10,320 million yen
Short-term monetary debts	547,615 million yen	452,637 million yen
Long-term monetary debts	76,966 million yen	82,261 million yen

* 2 Mortgaged assets and mortgaged liabilities
(Mortgaged assets)

	Previous fiscal year (as of December 31, 2022)		Current fiscal year (as of December 31, 2023)	
Building	26,946 million yen	(26,946) million yen	31,548 million yen	(31,548) million yen
Structures	3,497 million yen	(3,497) million yen	3,305 million yen	(3,305) million yen
Machinery and equipment	38,912 million yen	(38,912) million yen	39,321 million yen	(3,305) million yen
Land	16,225 million yen	(16,163) million yen	16,206 million yen	(16,144) million yen
Share of affiliated companies	638,841 million yen	(—) million yen	638,841 million yen	(—) million yen
Total	724,420 million yen	(85,517) million yen	724,420 million yen	(90,318) million yen

(Mortgaged liabilities)

	Previous fiscal year (as of December 31, 2022)		Current fiscal year (as of December 31, 2023)	
Long-term borrowings scheduled to be repaid within one year	64,449 million yen	(—) million yen	177,553 million yen	(135,535) million yen
Long-term borrowings	246,648 million yen	(135,545) million yen	69,084 million yen	(—) million yen
Total	311,096 million yen	(135,545) million yen	246,638 million yen	(135,535) 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, 2022)	Current fiscal year (as of December 31, 2023)
Affiliated companies	72,602 million yen	77,558 million yen
Guarantees for employee mortgages	11 million yen	5 million yen
Total	72,613 million yen	77,562 million yen

(Notes to Statement of Income)

* 1 Volume of business with affiliated companies

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Net sales	613,295 million yen	632,304 million yen
Purchase amount	432,397 million yen	387,287 million yen
Transactions from non-operating activities	11,818 million yen	13,513 million yen

* 2 Selling, general and administrative expenses

Major expense items and amounts

	Previous fiscal year (from January 1, 2022 to December 31, 2022)	Current fiscal year (from January 1, 2023 to December 31, 2023)
Employee salaries and benefits	26,711 million yen	57,468 million yen
Depreciation and amortization	3,165 million yen	3,134 million yen
Research and development expenses	109,400 million yen	124,227 million yen
Expenses included in selling expenses	Approx. 10%	Approx. 7%
Expenses included in general and administrative expenses	Approx. 90%	Approx. 93%

* 3 Insurance income

This mainly comprises insurance proceeds received in connection with the fire that broke out on March 19, 2021 at the Naka Factory of Renesas Semiconductor Manufacturing Co. Ltd., a consolidated subsidiary of the Company. This insurance payment includes the amount received for lost earnings from the damage caused by the fire.

(Notes to Securities)

Shares of subsidiaries and affiliated companies

Previous fiscal year (as of December 31, 2022)

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, 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

Current fiscal year (as of December 31, 2023)

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, 2023)
Subsidiary Shares	1,858,674

Principal shares included in investments in subsidiaries and their balance sheet amounts are as follows:
Renesas Electronics America 1,134,784 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, 2022)	Current fiscal year (as of December 31, 2023)
Deferred tax assets		
Allowance for share-based payments	4,376 million yen	13,259 million yen
Loss on valuation of stocks of affiliated companies	29,043 million yen	11,086 million yen
Excess depreciation	4,416 million yen	4,311 million yen
Deferred gains or losses on hedges	— million yen	3,791 million yen
Excess accrued retirement benefits	3,657 million yen	3,341 million yen
Accrued bonuses	4,625 million yen	3,154 million yen
Accrued expenses	2,521 million yen	2,833 million yen
Inventory write-down	2,719 million yen	2,676 million yen
Accrued enterprise tax	3,946 million yen	2,296 million yen
Others	5,526 million yen	4,127 million yen
Subtotal of deferred tax asset	60,829 million yen	50,873 million yen
Valuation provision for tax losses carried forward	—	—
Total amount of total future deductible temporary differences, etc.	(32,687) million yen	(14,478) million yen
Subtotal of valuation provision	(32,687) million yen	(14,478) million yen
Total deferred tax assets	28,142 million yen	36,396 million yen
Offset against deferred tax liabilities	(7,987) million yen	(8,944) Million yen
Net deferred tax assets	20,155 million yen	27,452 million yen
Deferred tax liabilities		
Prepaid pension cost	(4,145) million yen	(4,906) million yen
Net unrealized gains (losses) on assets received in merger	(3,562) million yen	(3,562) million yen
Others	(280) million yen	(476) million yen
Total deferred tax liabilities	(7,987) million yen	(8,944) million yen
Offset against deferred tax assets	7,987 million yen	8,944 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, 2022)	Current fiscal year (as of December 31, 2023)
Statutory effective tax rate (Adjustment)	30.6%	30.6%
Change in valuation provision	(3.3)%	(5.8)%
Non-deductible expenses	0.3%	0.3%
Non-deductible income	(0.1)%	0.0%
Tax deductions	(4.0)%	(5.4)%
Combined income of specified foreign subsidiaries, etc.	2.2%	0.2%
Other adjustments not applicable to temporary differences	(0.6)%	0.0%
Effective income tax rate after application of tax effect accounting	26.3%	20.0%

3. Accounting for corporate and local income taxes or tax effect accounting in relation to these taxes

The Company has applied the group totalization system from the current fiscal year. In accordance with the "Treatment of Accounting and Disclosure when Applying the Group Totalization System" (Practical Response Report No. 42, 12 August 2021), the company accounts for corporate income tax and local corporate income tax, or tax effect accounting and disclosure in this regulation.

(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)

(Cancellation of treasury shares)

The Company has resolved at the Meeting of Board of Directors dated February 8, 2024, to the cancellation of treasury shares, in accordance with Article 178 of the Companies Act.

For details, please refer to "Note 34. Subsequent Events" in the "V. Accounting Status, 1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statement".

(Acquisition of Altium Limited)

The Company has resolved at the Meeting of Board of Directors dated February 8, 2024, to enter into an agreement with Altium Limited, a software company headquartered in California, USA, to acquire all of the issued and to be issued ordinary shares of Altium Limited and to make it a wholly owned subsidiary.

For details, please refer to "Note 38. Subsequent Events" in the "1. Consolidated Financial Statements, (1) Notes to Consolidated Financial Statement".

(iv) Annexed detailed schedule
Schedule of Tangible Fixed Assets

(In million yen)

Division	Type of assets	Balance at January 1, 2023	Increase during the current period	Decrease during the current period	Amortization during the current period	Balance at December 31, 2023	Total accumulated depreciation
Property, plant and equipment	Building	140,279	8,875	710	4,432 (435)	148,444	112,586
	Structures	19,557	49	65	266	19,540	15,981
	Machinery and equipment	448,328	18,385	6,902	16,408	459,810	415,509
	Vehicles	4,936	223	3	127	5,155	4,843
	Tools, furniture and fixtures	118,542	11,513	3,303	9,733 (118)	126,753	109,115
	Land	18,966	1	21	—	18,945	—
	Construction in progress	5,153	77,856	38,878	—	44,130	—
	Total	755,760	116,901	49,883	30,967 (553)	822,778	658,034
Intangible assets	Software	66,700	3,922	1,005	32,928	69,617	61,704
	Other intangible assets	21,045	1,170	—	660	22,215	20,839
	Total	87,746	5,092	1,005	3,588	91,832	82,543

- (Note) 1. The figures in parentheses in the “Balance at January 1, 2023” and “Balance at December 31, 2023” 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 increase during the current period are as follows:

(In million yen)

Construction in progress	Amount of increase	Naka Factory	28,602
		Kofu Factory	13,096
		Musashi Site	11,730

Schedule of allowances and provision

Division	Balance at January 1, 2023 (Million yen)	Increase during the current period (Million yen)	Decrease during the current period (Million yen)	Balance at December 31, 2023 (Million yen)
Allowance for doubtful accounts	0	—	—	0
Provision for product warranties	86	154	86	154
Provision for business restructuring	2	—	1	1
Provision for contingent losses	1,098	461	469	1,090
Provision for share-based payments	15,495	40,896	12,860	43,530

(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
Annual 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) 1. 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.

2. At the Annual General Meeting of Shareholders held on March 26, 2024, the Articles of Association of the Company were partially amended and the "Record dates for the distribution of surplus funds" as stated in the Articles of Association are March 31, June 30, September 30 and December 31 as at the filing date.

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 of Japan.

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 (21st Fiscal Year) (from January 1, 2022 to December 31, 2022) Filed with the Director-General of the Kanto Local Finance Bureau on March 30, 2023
- (2) Amendment to the Annual Securities Report and the Confirmation
Filed with the Director-General of the Kanto Local Finance Bureau on May 10, 2023
Above (1) amendment to Annual Securities Report as of March 30, 2023
- (3) Internal Control Report and its Attachments
Filed with the Director-General of the Kanto Local Finance Bureau on March 30, 2023
- (4) Quarterly Report and Confirmation
(First Quarter of the 22nd Fiscal Year) (from January 1, 2023 to March 31, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on May 10, 2023
(Second Quarter of the 22nd Fiscal Year) (From April 1, 2023 to June 30, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on August 3, 2023
(Third Quarter of the 22nd Fiscal Year) (from July 1, 2023 to September 30, 2023) Filed with the Director-General of the Kanto Local Finance Bureau on November 4, 2023
- (5) Extraordinary Report
Filed with the Director-General of the Kanto Local Finance Bureau on April 7, 2023
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 May 16, 2023
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 June 14, 2023
Extraordinary Report under Article 19, Paragraph 1 and Article 19, Paragraph 2, Item2 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on July 14, 2023
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, 2023
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 18, 2023
Extraordinary Report under Article 19, Paragraph 2, Item4 of the Cabinet Office Order on Disclosure of Corporate Affairs
Filed with the Director-General of the Kanto Local Finance Bureau on January 15, 2024
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 8, 2024
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
Filed with the Director-General of the Kanto Local Finance Bureau on February 15, 2024
Extraordinary Report under Article 19, Paragraph 2 Item3 and Item8-2 of the Cabinet Office Order on Disclosure of Corporate Affairs
- (6) Securities Registration Statement
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on April 11, 2023
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on October 18, 2023
Assignment to Others, filed with the Director-General of the Kanto Local Finance Bureau on November 14, 2023
- (7) Amendment to Securities Registration Statement
Filed with the Director-General of the Kanto Local Finance Bureau on October 26, 2023
Above (6) amendment to Securities Registration Statement as of October 18, 2023
- (8) Report on Status of Purchase of Own Shares
Filed with the Director-General of the Kanto Local Finance Bureau on March 9, 2023 and April 10, 2023

Part II. Information on Guarantor of the Filing Company

Not applicable.